

INTERNATIONAL SPECIALTY PRODUCTS INC /NEW/

FORM S-4/A

(Securities Registration: Business Combination)

Filed 2/13/1997

Address	300 DELAWARE AVENUE SUITE 303 WILMINGTON, Delaware 19801
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CIK	0001026738
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Sector	Basic Materials
Fiscal Year	12/31

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REGISTRATION NO. 333-17827

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ISP HOLDINGS INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

6719
(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

51-0376469
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

ISP HOLDINGS INC.
818 WASHINGTON STREET
WILMINGTON, DELAWARE 19801
(302) 428-0847

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

RICHARD A. WEINBERG, ESQ.
ISP MANAGEMENT COMPANY, INC.
1361 ALPS ROAD
WAYNE, NEW JERSEY 07470
(201) 628-3000

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

With a copy to:
STEPHEN E. JACOBS, ESQ.
WEIL, GOTSHAL & MANGES LLP
767 FIFTH AVENUE
NEW YORK, NEW YORK 10153-0119
(212) 310-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as

practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. //

G-I_EPA0009823

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED FEBRUARY 13, 1997

PROSPECTUS

OFFER FOR

**ALL OUTSTANDING 9% SENIOR NOTES DUE 2003
IN EXCHANGE FOR SERIES B 9% SENIOR NOTES DUE 2003
AND
ALL OUTSTANDING 9 3/4% SENIOR NOTES DUE 2002
IN EXCHANGE FOR SERIES B 9 3/4% SENIOR NOTES DUE 2002
OF**

ISP HOLDINGS INC.

**EACH OF THESE EXCHANGE OFFERS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON , 1997.**

ISP Holdings Inc., a Delaware corporation ('ISP Holdings'), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal (each of which constitutes an 'Exchange Offer' and both of which together constitute the 'Exchange Offers'), to exchange

(i) \$1,000 principal amount of its Series B 9% Senior Notes due 2003 (the 'New 9% Notes') for each \$1,000 principal amount of its 9% Senior Notes due 2003 (the 'Old 9% Notes'), of which an aggregate principal amount of \$325,000,000 is outstanding, and (ii) \$1,000 principal amount of its Series B 9 3/4% Senior Notes due 2002 (the 'New 9 3/4% Notes') for each \$1,000 principal amount of its 9 3/4% Senior Notes due 2002 (the 'Old 9 3/4% Notes'), of which an aggregate principal amount of \$199,871,000 is outstanding.

The form and terms of the New 9% Notes are identical to the form and terms of the Old 9% Notes except that the New 9% Notes have been registered under the Securities Act of 1933, as amended (the 'Securities Act'), and will not bear any legends restricting the transfer thereof. The New 9% Notes will evidence the same debt as the Old 9% Notes and will be issued pursuant to, and entitled to the benefits of, the Indenture governing the Old 9% Notes (the '9% Note Indenture').

The form and terms of the New 9 3/4% Notes are identical to the form and terms of the Old 9 3/4% Notes except that the New 9 3/4% Notes have been registered under the Securities Act, and will not bear any legends restricting the transfer thereof. The New 9 3/4% Notes will evidence the same debt as the Old 9 3/4% Notes and will be issued pursuant to, and entitled to the benefits of, the Indenture governing the Old 9 3/4% Notes (the '9 3/4% Note Indenture'). The covenants in the 9% Note Indenture are substantially similar to the covenants in the 9 3/4% Note Indenture. See 'Description of the New Notes.'

The Exchange Offers are being made in order to satisfy certain contractual obligations of ISP Holdings. There will be no cash proceeds to ISP Holdings from the exchanges pursuant to the Exchange Offers. See 'The Exchange Offers' and 'Description of the New Notes.' As used herein, (i) the term '9% Notes' means the Old 9% Notes and the New 9% Notes, treated as a single class, (ii) the term '9 3/4% Notes' means the Old 9 3/4% Notes and the New 9 3/4% Notes, treated as a single class, (iii) the term 'Old Notes' means, collectively, the Old 9% Notes and the Old 9 3/4% Notes, (iv) the term 'New Notes' means, collectively, the New 9% Notes and the New 9 3/4% Notes, (v) the term 'Notes' means, collectively, the 9% Notes and the 9 3/4% Notes and (vi) the term 'Indentures' means the 9% Note Indenture and the 9 3/4% Note Indenture.

(continued on next page)

SEE 'RISK FACTORS' BEGINNING ON PAGE 17 FOR A DISCUSSION OF CERTAIN FACTORS WHICH HOLDERS OF OLD NOTES SHOULD CONSIDER IN CONNECTION WITH THE EXCHANGE OFFERS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A

CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS , 1997.

(Continued from front cover)

The New Notes will bear interest from and including their respective dates of issuance. Holders whose Old Notes are accepted for exchange will receive accrued interest thereon to, but not including, the date of issuance of such New Notes, such interest to be payable with the first interest payment on such New Notes, but will not receive any payment in respect of interest on such Old Notes accrued after the issuance of such New Notes.

ISP Holdings will accept for exchange any and all Old Notes validly tendered and not withdrawn prior to 12:00 midnight, New York City time, on _____, 1997 unless extended (as so extended, the 'Expiration Date'). Tenders of Old Notes may be withdrawn at any time prior to the Expiration Date. The Exchange Offers are subject to certain customary conditions. See 'The Exchange Offers.'

Based on no-action letters issued by the staff of the Securities and Exchange Commission (the 'Commission') to third parties, ISP Holdings believes that the New Notes issued pursuant to the Exchange Offers may be offered for resale, resold and otherwise transferred by a holder thereof (other than any such holder that is an 'affiliate' of ISP Holdings within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holder's business, such holder is not engaging in or does not intend to engage in a distribution of such New Notes and such holder has no arrangement with any person to participate in the distribution of such New Notes. Any holder who tenders in either Exchange Offer for the purpose of participating in a distribution of New Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any secondary resale transactions. Each broker-dealer that receives New Notes for its own account pursuant to either Exchange Offer must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. The letter of transmittal accompanying this Prospectus (the 'Letter of Transmittal') states that, by so acknowledging and by delivering a prospectus meeting the requirements of the Securities Act, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New 9% Notes received in

exchange for Old 9% Notes or resales of New 9 3/4% Notes received in exchange for Old 9 3/4% Notes, in each case where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. ISP Holdings has agreed that, for a period of 180 days after the Expiration Date, it will make this Prospectus available to any broker-dealer for use in connection with any such resale. See 'Plan of Distribution.'

The Notes are redeemable, in whole or in part, at the option of ISP Holdings at any time on or after October 15, 1999 at the redemption prices (expressed as percentages of principal amount) set forth herein, plus accrued and unpaid interest to the redemption date. In the event that prior to October 15, 1999, a sale of common stock of ISP Holdings or certain of its subsidiaries shall occur, ISP Holdings will have the option to redeem the Notes using the net cash proceeds received therefrom by ISP Holdings as provided, and subject to the limitations set forth, in the Indentures.

Each of the New 9% Notes and the New 9 3/4% Notes will be senior unsecured obligations of ISP Holdings, will rank pari passu with all other unsecured and unsubordinated obligations of ISP Holdings and will rank pari passu with each other. ISP Holdings is a holding company which has no subordinated obligations; consequently, the New Notes, at the time of issuance, will not be senior to any obligations of ISP Holdings. Upon consummation of the Exchange Offers, the only outstanding indebtedness for money borrowed of ISP Holdings will be the Notes. As of September 29, 1996, the outstanding indebtedness for money borrowed of the subsidiaries of ISP Holdings was \$361.4 million and the other outstanding liabilities reflected on ISP Holdings' consolidated balance sheet, including trade payables and accrued expenses, was \$226.1 million, not including \$770.3 million of net noncurrent liabilities of discontinued operations. See 'Management's Discussion and Analysis of Financial Condition and Results of Operation.' The New Notes will be effectively subordinated to all liabilities of such subsidiaries. As of September 29, 1996, after giving pro forma effect to the Transactions (as defined), the outstanding consolidated indebtedness of ISP Holdings and its then-existing subsidiaries would have been \$812.2 million. The Indentures limit, among other things, the incurrence of additional Debt (as defined) and the issuance of Preferred Stock (as defined) by ISP Holdings and its subsidiaries. See 'Risk Factors--Holding Company Structure and Related Considerations' and 'Description of the New Notes-- Certain Covenants.'

Prior to the Exchange Offers, there has been no public market for the Notes. ISP Holdings does not intend to list the New 9% Notes or the New 9 3/4% Notes on any securities exchange or to seek approval for quotation through any automated quotation system and there can be no assurance that an active public market for the New 9% Notes or the New 9 3/4% Notes will develop.

Neither Exchange Offer is conditioned upon any minimum principal amount of Old Notes being tendered for exchange pursuant to such Exchange Offer.

SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS APPEARING ELSEWHERE IN THIS PROSPECTUS. AS USED IN THIS PROSPECTUS, THE COMPANY MEANS ISP HOLDINGS INC. ('ISP HOLDINGS') AND ITS CONSOLIDATED SUBSIDIARIES AND PREDECESSORS, UNLESS THE CONTEXT OTHERWISE REQUIRES.

THE COMPANY

ISP HOLDINGS

The business of ISP Holdings consists of owning approximately 83.5% of the issued and outstanding common stock of International Specialty Products Inc. ('ISP'). The remaining 17% of the outstanding ISP common stock is publicly held and traded on the New York Stock Exchange. ISP Holdings was formed in 1996 in order to consummate the ISP Holdings Transactions (as defined herein), which were consummated on October 18, 1996. See 'The ISP Holdings Transactions.' Prior to the Spin Off Transactions (as defined herein), which were consummated on January 1, 1997, ISP Holdings was a direct wholly owned subsidiary of GAF Corporation ('GAF'). GAF is controlled by Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, ISP and Building Materials Corporation of America ('BMCA'). As a result of the Spin Off Transactions, the outstanding common stock of ISP Holdings is now held directly by the stockholders of GAF. Mr. Heyman continues to control both ISP Holdings and GAF. See 'Security Ownership of Certain Beneficial Owners and Management.' GAF was organized by Mr. Heyman for the purpose of effecting the acquisition in March 1989 of the predecessor company to GAF in a management-led buyout. ISP Holdings' principal executive offices are located at 818 Washington Street, Wilmington, Delaware 19801 (telephone (302) 428-0847).

The financial information concerning ISP Holdings contained in this Prospectus has been prepared on a basis which retroactively reflects the formation of ISP Holdings.

ISP

ISP, through its direct and indirect subsidiaries, is a leading multinational manufacturer of specialty chemicals, mineral products, filter products and advanced materials (such businesses conducted through the direct and indirect subsidiaries of ISP, collectively, the 'Chemicals Business'). ISP produces and markets more than 325 specialty chemicals. These products are sold in domestic and international markets, primarily for use in branded consumer products manufactured by multinational companies engaged in relatively non-cyclical industries such as cosmetics and personal care, pharmaceuticals, health-related products and beverages. ISP believes that it is one of the two largest manufacturers of many of the specialty chemicals, mineral products and advanced materials it produces.

ISP emphasizes sales of higher margin specialty chemicals to niche markets.

These products, while often representing a relatively small portion of its customers' production costs, generally constitute key ingredients in the end products in which they are used. ISP believes it has been able to sustain its market share positions for many of its specialty chemicals by establishing and maintaining long-term relationships with its customers, working closely with its customers to develop specialty chemicals tailored to their specific needs, emphasizing sales for use in branded products that typically are not reformulated during their life cycles. In addition, because of the specialized nature of ISP's specialty chemicals and the fact that certain of such chemicals are sold primarily to relatively non-cyclical industries, ISP believes that demand for such chemicals is less affected by changes in economic conditions than is the case with commodity chemical products. See 'Business--ISP.'

During the years ended December 31, 1995 and December 31, 1994 and the nine months ended September 29, 1996 and October 1, 1995, ISP had net sales of \$689 million, \$600 million, \$544.1 million and \$530.3 million, respectively, and operating income of \$106.1 million, \$72.5 million, \$98.2 million and \$81.2 million, respectively.

ISP's strategy for future growth involves (i) the introduction of new products and the development of new applications for existing products, (ii) geographic expansion and penetration of new markets, and (iii) selected acquisitions of businesses which complement ISP's existing businesses. See 'Business--ISP--Strategy.'

* * * * *

Statements contained herein as to the Company's competitive position are based on industry information which the Company believes to be reliable.

THE SPIN OFF TRANSACTIONS

GENERAL

On August 6, 1996, ISP Holdings was formed in Delaware and 10 shares of its common stock were issued to GAF in exchange for all of the capital stock of G-I Holdings Inc. ('G-I Holdings'), which resulted in (i) ISP Holdings becoming a direct wholly owned subsidiary of GAF, (ii) G-I Holdings becoming a direct wholly-owned subsidiary of ISP Holdings, and (iii) BMCA, U.S. Intec. Inc. ('USI') and GAF Fiberglass Corporation (formerly known as GAF Chemicals Corporation) ('GFC') becoming indirect wholly-owned subsidiaries of ISP Holdings. Prior to the consummation of the Spin Off Transactions, ISP Holdings, through BMCA and USI, was a leading national manufacturer of a broad line of asphalt roofing products and accessories for the residential and commercial roofing markets (such businesses, collectively, the 'Building Materials Business'). GFC owns an investment in Rhone-Poulenc Surfactants & Specialties L.P., a Delaware partnership which operates, among other businesses, GFC's former surfactants chemicals business (the 'Surfactants Partnership.')

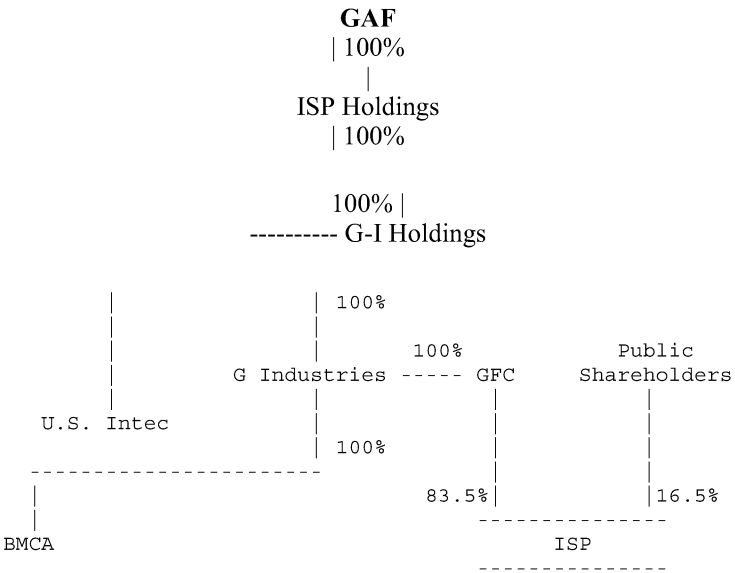
On January 1, 1997, GAF effected the Spin Off Transactions. As part of the

Spin Off Transactions, (i) GFC distributed all of the common stock of ISP that it owned (approximately 83.5% of the issued and outstanding common stock of ISP) to G Industries Corp. ('G Industries'), which in turn distributed such ISP common stock to its direct parent, G-I Holdings, which in turn distributed such ISP common stock to ISP Holdings, (ii) ISP Holdings distributed all of the common stock of G-I Holdings to GAF and (iii) GAF distributed all of the common stock of ISP Holdings (whose principal asset was 83% of the issued and outstanding common stock of ISP) to GAF's stockholders. As a result of such distributions, ISP Holdings and ISP are no longer direct or indirect subsidiaries of GAF, while certain other assets and liabilities relating to the Building Materials Business, including liabilities for asbestos-related claims, remain part of GAF, but are not assets or liabilities of ISP Holdings. For information regarding the Building Materials Business, see 'Available Information.'

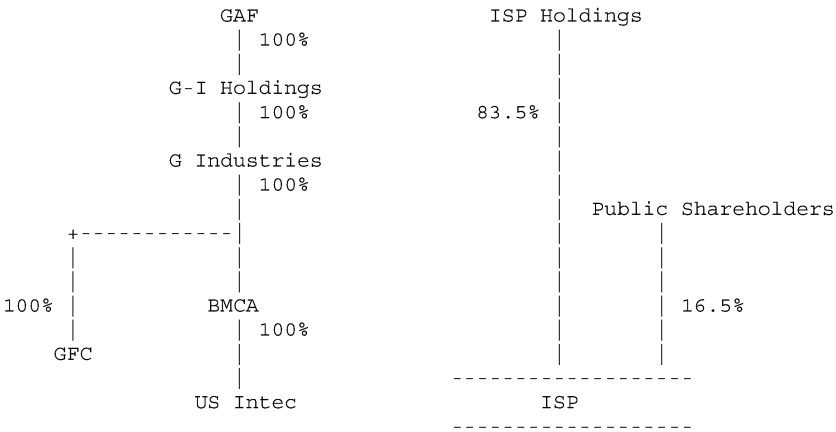
Prior to consummation of the Spin Off Transactions, GAF received a ruling (the 'IRS Ruling') from the Internal Revenue Service (the 'IRS') to the effect that the Spin Off Transactions will not result in recognition of income by GAF or any members of GAF's federal consolidated tax group (the 'GAF Tax Group'). The IRS Ruling was conditioned upon the accuracy of certain representations contained in GAF's request for such ruling as to certain facts and circumstances with respect to the Spin Off Transactions. The GAF Tax Group, which prior to the Spin Off Transactions included ISP Holdings and ISP, would suffer adverse tax consequences if the Spin Off Transactions did not qualify as 'tax-free spin offs.' See 'Risk Factors--Additional Risks Related to the Spin Off Transactions.' Also see 'Certain Relationships--Mutual Indemnification.'

Prior to consummation of the Spin Off Transactions, GAF also received an opinion of Houlihan Lokey Howard & Zukin ('HLHZ') regarding the solvency of GAF and the other companies that engaged in distributions pursuant to the Spin Off Transactions. See 'The Spin Off Transactions' for a description of such opinion and the reviews, analyses and inquiries made by HLHZ and the financial projections, forecasts and other representations provided by GAF and certain of its subsidiaries and relied upon by HLHZ in rendering such opinion.

The following charts illustrate a simplified ownership structure of GAF and its subsidiaries as it existed prior to the consummation of the Spin Off Transactions and the current capital structure.



[CHART-Summary Existing Corporate Structure]



THE ISP HOLDINGS TRANSACTIONS

The Tender Offer, the Old Exchange Offer and the 9% Note Offering (each as defined below) and the application of the proceeds therefrom are collectively referred to herein as the 'ISP Holdings Transactions' and, together with the Spin Off Transactions, the 'Transactions.'

TENDER OFFER

On October 18, 1996, ISP Holdings consummated a cash tender offer and consent solicitation (the 'Tender Offer') for all of the Senior Discount Notes and Series B Senior Discount Notes due 1998 (the 'Discount Notes') of G-I Holdings Inc., a wholly owned subsidiary of ISP Holdings prior to consummation of the Spin Off Transactions ('G-I Holdings'). Approximately 99% of the

outstanding Discount Notes were tendered pursuant to the Tender Offer and approximately \$6.3 million in aggregate principal amount at maturity remain outstanding. In connection with such offer to purchase, ISP Holdings also obtained the consent of the tendering holders of the Discount Notes to certain amendments (the 'Discount Note Amendments') to the Indenture dated as of October 5, 1993 (the 'Discount Note Indenture') between G-I Holdings and the Bank of New York, as trustee, governing the Discount Notes. The Discount Note Amendments modified or eliminated certain restrictive covenants contained in the Discount Note Indenture, including those covenants that would have prohibited the Spin Off Transactions. Pursuant to the Tender Offer, ISP Holdings paid an aggregate purchase price of approximately \$376.3 million with the proceeds of the 9% Note Offering and the Repurchase as described below.

Concurrently with the consummation of the Tender Offer, ISP Holdings made a loan to ISP in the amount of \$73.2 million (the 'ISP Loan') and G-I Holdings purchased for cash from ISP Holdings Discount Notes tendered pursuant to the Tender Offer (the 'Repurchase') in an amount equal to \$133 million, which was sufficient, together with the net proceeds of the 9% Note Offering (after giving effect to the ISP Loan), to allow ISP Holdings to consummate the Tender Offer and to pay expenses in connection with the ISP Holdings Transactions. All remaining Discount Notes validly tendered and purchased in the Tender Offer by ISP Holdings (approximately \$277.0 million at maturity) were held by ISP Holdings and remained outstanding as obligations of G-I Holdings until immediately prior to consummation of the Spin Off Transactions, at which time they were contributed to G-I Holdings as a capital contribution and cancelled by G-I Holdings. In addition, immediately prior to such capital contribution, at the time of the Spin Off Transactions, G-I Holdings purchased from ISP Holdings Discount Notes for an aggregate amount equal to \$45.8 million representing the sum of \$45 million and the amount of fees and expenses of ISP Holdings related to the Spin Off Transactions (not including those fees and expenses already paid by ISP Holdings related to the ISP Holdings Transactions). All Discount Notes so purchased were cancelled by G-I Holdings.

OLD EXCHANGE OFFER

On October 18, 1996, ISP Holdings consummated an offer to exchange (the 'Old Exchange Offer') \$1,000 principal amount of the Old 9 3/4% Notes for each \$1,000 principal amount of G-I Holdings' Series B 10% Senior Notes due 2006 (the '10% Notes'). Pursuant to the Old Exchange Offer, on October 18, 1996, Old 9 3/4% Notes in the aggregate principal amount of \$199,871,000 were issued to the former holders of the 10% Notes. Approximately 99% of the outstanding 10% Notes were tendered pursuant to the Old Exchange Offer and approximately \$0.1 million in aggregate principal amount remain outstanding. All 10% Notes validly tendered and accepted in the Old Exchange Offer were held by ISP Holdings and remained outstanding as obligations of G-I Holdings until immediately prior to consummation of the Spin Off Transactions, at which time such 10% Notes were contributed to G-I Holdings by ISP Holdings as a capital contribution and cancelled by G-I Holdings. In connection with such exchange offer, ISP Holdings also obtained the consent of the tendering holders of the 10% Notes to certain amendments (the '10% Note Amendments') to the Indenture dated as of February 14, 1996 (the '10% Note Indenture') between G-I Holdings and the Bank of New York,

as trustee, governing the 10% Notes. The 10% Note Amendments modified or eliminated certain restrictive covenants contained in the 10% Note Indenture, including those covenants that would have prohibited the Spin Off Transactions.

THE 9% NOTE OFFERING

On October 18, 1996, ISP Holdings issued and sold \$325 million in aggregate principal amount of the Old 9% Notes in a private placement (the '9% Note Offering'). ISP Holdings received net proceeds of \$317,187,000 pursuant to the 9% Note Offering.

* * * * *

The following chart summarizes the various debt instruments involved in the ISP Holdings Transactions and the Exchange Offers.

	DISCOUNT NOTES	10% NOTES	OLD 9% NOTES	NEW 9% NOTES	OLD 9 3/4% NOTES	NEW 9 3/4% NOTES
Obligor:	G-I Holdings	G-I Holdings	ISP Holdings	ISP Holdings	ISP Holdings	ISP Holdings
Issuance Date:	October 5, 1993	February 14, 1996	October 18, 1996	To be issued upon consummation of the 9% Note Exchange Offer	October 18, 1996	To be issued upon consummation of the 9 3/4% Exchange Offer
Reason for Issuance:	Proceeds used to redeem old issuance of debt securities of G-I Holdings and reduce additional debt of G-I Holdings	Issued in connection with exchange offer for Discount Notes	Proceeds used to finance the Tender Offer	To be issued in exchange for Old 9% Notes	Issued in connection with exchange offer for 10% Notes	To be issued in exchange for Old 9 3/4% Notes
Principal Amount Outstanding as of January 1, 1997:	\$6,343,000	\$132,000	\$325,000,000	N/A	\$199,871,000	N/A

THE EXCHANGE OFFERS

The Exchange Offers are being made with respect to all of ISP Holdings' outstanding 9% Senior Notes due 2003 (the 'Old 9% Notes') and 9 3/4% Senior Notes due 2002 (the 'Old 9 3/4% Notes'). The form and terms of each issue of New Notes are the same as the form and terms of the respective issue of Old Notes, except that, in each case, the New Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof. Each issue of New Notes will evidence the same debt as the respective issue of Old Notes and will be entitled to the benefits of the Indenture pursuant to which such Old Notes were issued. The Old Notes and the New Notes are sometimes referred to collectively herein as the 'Notes.' See 'Description of the New Notes.'

- The Exchange Offers..... (i) \$1,000 principal amount of New 9% Notes in exchange for each \$1,000 principal amount of Old 9% Notes. As of the date hereof, \$325,000,000 aggregate principal amount of the Old 9% Notes are outstanding. The terms of the New 9% Notes and the Old 9% Notes are substantially identical.
- (ii) \$1,000 principal amount of New 9 3/4% Notes in exchange for each \$1,000 principal amount of Old 9 3/4% Notes. As of the date hereof, \$199,871,000 aggregate principal amount of the Old 9 3/4% Notes are outstanding. The terms of the New 9 3/4% Notes and the Old 9 3/4% Notes are substantially identical.

Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, ISP Holdings believes that New Notes issued pursuant to the Exchange Offers in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a holder thereof (other than any such holder that is an 'affiliate' of ISP Holdings within the meaning of Rule 405 promulgated under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that (i) such New Notes are acquired in the ordinary course of business of such holder, (ii) such holder is not engaging in or does not intend to engage in a distribution of such New Notes, and (iii) such holder does not have an arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offers for the purpose of participating in a distribution of the New Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. See 'The Exchange Offers--Purpose and Effect' and 'Plan of

Distribution.'

- Registration Agreements..... (i) The Old 9% Notes were issued by ISP Holdings on October 18, 1996 in the 9% Note Offering. In connection therewith, ISP Holdings agreed to use its best efforts to cause a registration statement to become effective with respect to an exchange offer of a new security for the Old 9% Notes (the '9% Note

Registration Agreement')). See 'The Exchange Offers--Purpose and Effect.'

(ii) The Old 9 3/4% Notes were issued pursuant to a private placement by ISP Holdings on October 18, 1996 in the Old Exchange Offer. In connection therewith, ISP Holdings agreed to use its best efforts to cause a registration statement to become effective with respect to an exchange offer of a new security for the Old 9 3/4% Notes (the '9 3/4% Note Registration Agreement' and, together with the 9% Note Registration Agreement, the 'Registration Agreements')). See 'The Exchange Offers--Purpose and Effect.'

Expiration Date..... Each Exchange Offer will expire at 12:00 midnight, New York City time, on _____, 1997, or at such later date or time to which it is extended (as so extended, the 'Expiration Date'). ISP Holdings does not intend to extend either Exchange Offer, although it reserves the right to do so.

Withdrawal..... The tender of Old Notes pursuant to either Exchange Offer may be withdrawn at any time prior to 12:00 midnight, New York City time, on the Expiration Date. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holder thereof as promptly as practicable after the expiration or termination of the Exchange Offers.

Interest on the New Notes and
Old Notes..... (i) The 9% Notes will pay interest on the principal thereof at the rate of 9% per annum, payable on April 15 and October 15 each year, commencing on April 15, 1997, to the persons who are registered holders on the immediately preceding April 1 and October 1. See 'Description of the New Notes--Principal, Maturity and Interest.'

(ii) The 9 3/4% Notes will pay interest on the principal thereof at the rate of 9 3/4% per annum, payable on February 15 and August 15 each year, commencing on February 15, 1997, to the persons who are registered holders on the immediately preceding February 1 and August 1. See 'Description of the New Notes--Principal, Maturity and Interest.'

Conditions to the Exchange Offers..... The Exchange Offers are subject to certain customary conditions, each of which may be waived by ISP Holdings. Neither Exchange Offer is conditioned upon any principal amount of Old Notes being tendered for exchange pursuant to such Exchange Offer. See 'The Exchange Offers--Conditions.'

Procedures for Tendering Old Notes..... Each holder of Old Notes wishing to accept the applicable Exchange Offer must complete, sign and date the applicable Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with such Old Notes and any other required documentation, to The Bank of New York (the 'Exchange Agent') at the address set forth herein. Tendered Old Notes must be received by the Exchange Agent by 12:00 midnight, New York City time, on the Expiration Date. By executing the Letter of Transmittal, each

holder will represent to the Company that, among other things, (i) the New Notes acquired pursuant to the applicable Exchange Offer are being obtained in the ordinary course of business of such holder, (ii) the holder is not engaging in and does not intend to engage in a distribution of such New Notes, (iii) the holder does not have an arrangement or understanding with any person to participate in the distribution of such New Notes, and (iv) the holder is not an 'affiliate,' as defined under Rule 405 promulgated under the Securities Act, of the Company. Pursuant to the Registration Agreements, the Company is required to file a registration statement for a continuous offering pursuant to Rule 415 under the Securities Act in respect of the Old Notes of any holder that would not receive freely tradeable New Notes in either Exchange Offer or is ineligible to participate in such Exchange Offer and indicates that it wishes to have its Old Notes registered under the Securities Act. See 'The Exchange Offers-- Procedures for Tendering.'

Book-Entry Transfer..... The Exchange Agent will make a request to establish separate accounts with respect to the Old Notes at the Book-Entry Transfer Facility (as defined herein) for purposes of the Exchange Offers within two business days after receipt of this Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at its address set forth herein on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

Special Procedures for

Beneficial Owner..... Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee (with respect to each issue of New Notes, each, a 'Registered Holder') and who wishes to tender such Old Notes should contact the Registered Holder promptly and instruct such Registered Holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the Registered Holder. The transfer of registered ownership may take considerable time. See 'The Exchange Offers--Procedures for Tendering.'

Guaranteed Delivery Procedures..... If a Registered Holder of the applicable issue of Old Notes desires to tender such Old Notes and the Old Notes are not immediately

available, or time will not permit such holder's Old Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected according to the guaranteed delivery procedures set forth in 'The Exchange Offers--Guaranteed Delivery Procedures.'

Acceptance of Old Notes and Delivery of
New Notes.....

The Company will accept for exchange any and all Old Notes which are properly tendered in the Exchange Offers prior to 12:00 midnight, New York City time, on the Expiration Date. The New Notes issued pursuant to the Exchange Offers will be delivered promptly following the Expiration Date. See 'The Exchange Offers--Terms of the Exchange Offers.'

Exchange Agent.....

The Bank of New York is serving as the Exchange Agent in connection with the Exchange Offers.

Consequences of Failure to
Exchange.....

The liquidity of the market for a holder's Old Notes could be adversely affected upon completion of the relevant Exchange Offer if such holder does not participate in such Exchange Offer. See 'The Exchange Offers--Consequences of Failure to Exchange.'

Federal Income Tax Consequences.....

The exchange pursuant to either Exchange Offer should not be a taxable event for federal income tax purposes. See 'Certain Federal Income Tax Considerations.'

TERMS OF THE NEW NOTES

Issuer.....	ISP Holdings Inc.
Issues.....	<p>(i) Up to \$325,000,000 aggregate principal amount at maturity of Series B 9% Senior Notes due 2003 (the 'New 9% Notes').</p> <p>(ii) Up to \$199,871,000 aggregate principal amount at maturity of Series B 9 3/4% Senior Notes due 2002 (the 'New 9 3/4% Notes').</p>
Maturities.....	<p>(i) October 15, 2003, with respect to the New 9% Notes.</p> <p>(ii) February 15, 2002, with respect to the New 9 3/4% Notes.</p>
Interest and Interest Payment Dates.....	<p>(i) The New 9% Notes will accrue interest at the rate of 9% per annum accruing from the date of issuance or the most recent interest payment date to which interest has been paid.</p> <p>(ii) The New 9 3/4% Notes will accrue interest at the rate of 9 3/4% per annum accruing from the date of issuance or the most recent interest payment date to which interest has been paid.</p>
Optional Redemption.....	Each of the New 9% Notes and the New 9 3/4% Notes is redeemable, in whole or in part, at the option of ISP Holdings at any time on or after October 15, 1999 at the redemption prices (expressed as percentages of principal amount) set forth herein, plus accrued and unpaid interest to the redemption date. In addition, prior to October 15, 1999, an amount of each issue of New Notes representing an aggregate of up to 50% of the then outstanding amount of such issue of New Notes will be redeemable at the option of ISP Holdings from the net cash proceeds of an issuance of common stock of ISP Holdings or an issuance or sale of Common Stock of ISP, at 109% in the case of the New 9% Notes, or 109.75% in the case of the New 9 3/4% Notes, of the principal amount thereof plus accrued interest thereon to the date of redemption, provided that, after giving effect to any such redemption, not less than a majority of the principal amount of such 9% Notes or 9 3/4% Notes, as the case may be, originally issued would be outstanding.
Change of Control Put and Call.....	<p>Upon the occurrence of a Change of Control (as defined), each holder of New Notes will have the right to require the Company to repurchase such holder's New Notes at a purchase price of 101% of</p> <p>the principal amount of such New Notes (or, if lower, the applicable redemption prices then in effect under the provisions described in the first and fourth paragraphs under 'Description of the New Notes--Optional Redemption'), plus accrued and unpaid interest, if any, to the repurchase date, and the Company will have the option to redeem the New Notes in whole at a redemption price equal to the then outstanding principal amount, plus the Applicable Premium (as defined), plus accrued and unpaid interest, if any, to the redemption date. See 'Risk Factors--Change of Control; Acceleration of Debt.'</p>
Ranking and Holding Company Structure.....	Each of the New 9% Notes and the New 9 3/4% will be senior unsecured obligations of ISP Holdings and will rank pari passu with all other unsecured and unsubordinated obligations of ISP

Holdings and will rank pari passu with each other. Immediately following the issuance of the New Notes, ISP Holdings will not have any indebtedness for money borrowed that ranks pari passu with, or senior to, the Notes or any subordinated obligations. Upon consummation of the Exchange Offers, the only outstanding indebtedness for money borrowed of ISP Holdings will be the 9% Notes and the 9 3/4% Notes.

ISP Holdings is a holding company, and therefore the New Notes will be effectively subordinated to all existing and future liabilities, including indebtedness, of subsidiaries of ISP Holdings. As of September 29, 1996, such subsidiaries had outstanding indebtedness for money borrowed of \$361.4 million and other outstanding liabilities reflected on ISP Holdings' consolidated balance sheet, including trade payables and accrued expenses, of \$226.1 million, not including \$770.3 million of net noncurrent liabilities of discontinued operations. The Indentures governing the Notes (the 'Indentures') limit, among other things, the incurrence of additional Debt (as defined) and the issuance of Preferred Stock (as defined) by ISP Holdings and its subsidiaries. See 'Risk Factors--Holding Company Structure and Related Considerations' and 'Description of the New Notes--Certain Covenants.'

Certain Covenants..... The Indentures limit the Company and its subsidiaries from incurring additional Debt, issuing Preferred Stock and incurring Liens (as defined). The Indentures also contain covenants that, among other things, limit the ability of the Company and its subsidiaries to pay certain dividends or make certain other Restricted Payments (as defined) and Restricted Investments (as defined), engage in transactions with Affiliates (as defined) and agree to certain additional limitations on dividends and other payment restrictions

affecting subsidiaries. The Indentures also limit the ability of the Company to consolidate or merge with, or transfer all or substantially all of its assets to, another person. However, all such covenants are subject to a number of important qualifications and exceptions. The Indentures permitted the consummation of the Spin Off Transactions and, as a result of the Spin Off Transactions, G-I Holdings and its subsidiaries, including BMCA, are no longer subsidiaries of ISP Holdings and therefore are not subject to the restrictions contained in the Indentures. See 'Risk Factors--Restrictions Imposed by Indebtedness' and 'Description of the New Notes--Certain Covenants.'

Registration Rights..... ISP Holdings has agreed to use its best efforts to cause to become effective by February 14, 1997 a registration statement with respect to the Exchange Offers. In the event that the Exchange Offers are not completed by April 16, 1997, ISP Holdings will use its best efforts to cause to become effective a shelf registration statement with respect to the resale of the Old Notes and to keep such shelf registration statement effective until three years after the date of original issuance of the Old Notes.

If by April 16, 1997 (i) the Exchange Offer with respect to an issue of Old Notes is not completed and (ii) no shelf registration

statement with respect to the resale of such Old Notes is declared effective, additional interest will accrue on such Old Notes from and including April 16, 1997 until but excluding the earlier of (i) the completion of the Exchange Offer and (ii) the effective date of such shelf registration statement. Such additional interest will be payable in cash semiannually in arrears on April 15 and October 15 in the case of the 9% Notes, or February 15 and August 15, in the case of the 9 3/4% Notes, at a rate per annum equal to 0.50% of the aggregate principal amount outstanding of such issue of Old Notes. See 'Description of the New Notes-- Principal, Maturity and Interest' and 'The Exchange Offers-- Purpose and Effect.'

Use of Proceeds..... There will be no cash proceeds to ISP Holdings from the exchanges pursuant to the Exchange Offers.

Risk Factors..... Prospective holders of the New Notes should carefully consider the specific factors set forth under 'Risk Factors,' as well as the other information and data included in this Prospectus.

SUMMARY FINANCIAL DATA

Set forth below are summary consolidated financial data of ISP Holdings and its subsidiaries. The results of any interim period are not necessarily indicative of the results to be expected for the full year. The pro forma balance sheet data give effect to the Transactions as if they had been completed as of September 29, 1996. The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 1995. The Exchange Offers will not affect the amount of the Company's long-term debt or stockholder's equity. The pro forma financial information does not purport to project the financial position or the results of operations for any future period or to represent what the financial position or results of operations would have been if the Transactions had been completed at the dates indicated. All financial data relating to ISP Holdings and its subsidiaries contained herein have been prepared to retroactively reflect the formation of ISP Holdings.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
	-----			-----	
	1993	1994	1995	OCT. 1, 1995 (UNAUDITED)	SEPT. 29, 1996 (UNAUDITED)
	-----	-----	-----	-----	-----
	(IN MILLIONS, EXCEPT RATIO DATA)				
OPERATING DATA:					
Net sales.....	\$548.3	\$600.0	\$689.0	\$530.3	\$544.1
Operating income.....	65.1	99.2	127.1	99.2	105.7
Interest expense.....	24.5	28.7	33.1	24.8	21.9
Income from continuing operations before income taxes and extraordinary item.....	49.8	72.5	106.1	81.2	98.2
Income from continuing operations before extraordinary item.....	23.8	37.1	55.1	41.8	51.8
Ratio of earnings to fixed charges(1).....	2.83	3.32	4.06	4.08	5.23

		SEPTEMBER 29, 1996	
	DECEMBER 31, 1995	ACTUAL (UNAUDITED)	PRO FORMA (GIVING EFFECT TO THE TRANSACTIONS) (UNAUDITED)
		(IN MILLIONS)	
BALANCE SHEET DATA:			
Cash and short-term investments.....	\$ 150.0	\$ 111.7	\$ 156.7
Total working capital.....	290.0	413.0	220.9
Total assets.....	1,460.4	1,537.3	1,361.1
Long-term debt less current maturities(2).....	280.3	239.8	789.3
Total stockholder's equity (deficit).....	(1.7)	61.7	196.4

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
	-----			-----	
	1993	1994	1995	OCT. 1, 1995 (UNAUDITED)	SEPT. 29, 1996 (UNAUDITED)
	-----	-----	-----	-----	-----
	(IN MILLIONS, EXCEPT RATIO DATA)				
OTHER DATA:					
Depreciation.....	\$ 28.7	\$ 32.8	\$ 36.0	\$ 26.7	\$ 28.2
Goodwill amortization.....	13.9	13.4	13.2	9.9	9.9
Capital expenditures and acquisitions.....	62.9	31.1	38.9	26.6	35.7
Cash Flows from:					
Operating activities.....	111.8	75.9	143.8	97.7	82.5
Investing activities.....	(61.7)	(27.2)	(124.4)	(98.0)	5.0
Financing activities.....	(50.3)	(39.6)	(25.5)	(9.4)	(89.8)
Adjusted EBITDA(3).....	167.5	225.8	245.6	190.8	219.8
Ratio of Adjusted EBITDA to Adjusted Interest Expense(3).....	2.32	2.36	2.16	2.27	2.47

	YEAR ENDED DECEMBER 31, 1995 (UNAUDITED)	NINE MONTHS ENDED ----- OCT. 1, 1995 SEPT. 29, 1996 (UNAUDITED) (UNAUDITED) -----	
	(IN MILLIONS, EXCEPT RATIO DATA)		
PRO FORMA OPERATING DATA(4):			
Interest Expense.....	\$ 78.8	\$59.1	\$ 56.2
Income from continuing operations.....	25.3	19.5	29.4
Ratio of earnings to fixed charges(1).....	1.79	1.80	2.16
Ratio of Adjusted EBITDA to Adjusted Interest Expense(3).....	2.32	2.37	2.83

(1) For purposes of these computations, earnings consist of income from continuing operations before income taxes, minority interest and extraordinary items plus fixed charges. Fixed charges consist of interest on indebtedness (including amortization of debt issuance costs) plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

(2) See 'Capitalization' and Note 8 to Consolidated Financial Statements.

(3) The Adjusted EBITDA data are being presented because such data relate to debt covenants under the Indentures. The calculation of the ratio of Adjusted EBITDA to Adjusted Interest Expense has been performed in accordance with the definitions in the Indentures. See 'Description of the New Notes.' Accordingly, Adjusted EBITDA is calculated as income from continuing operations before income taxes, plus income (loss) from discontinued operations before income taxes, less extraordinary items, increased by interest expense, depreciation and goodwill amortization and excluding equity in earnings of the GAF-Huls joint venture and Surfactants Partnership income, except to the extent distributed in cash. Adjusted Interest Expense is calculated as total interest expense excluding interest expense on non-recourse debt related to the Surfactants Partnership. As an indicator of the Company's operating performance, such supplemental financial information should not be considered as an alternative to net income or any other measure of performance under generally accepted accounting principles.

Certain restrictions exist as to the amounts available for making loans, paying dividends and otherwise making distributions to ISP Holdings by ISP, which restrictions are not, in accordance with the Indentures, given effect in the foregoing calculations. See 'Risk Factors--Holding Company Structure and Related Considerations.'

The details of the calculations of Adjusted EBITDA and Adjusted Interest Expense are set forth in the table on the following page.

(4) For an explanation of adjustments to arrive at 'Pro Forma Operating Data,' see 'Notes to Selected Financial Data.'

PRO FORMA							
	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED		YEAR ENDED	NINE MONTHS ENDED
				OCT. 1,	SEPT. 29,	DEC. 31,	OCT. 1,
	1993	1994	1995	1995	1996	1995	1995
				(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
					(THOUSANDS)		
Income from continuing operations before income taxes and extraordinary item.....	\$ 49,823	\$ 72,484	\$106,102	\$ 81,205	\$ 98,202	\$ 60,352	\$ 46,892
Add (Deduct):							
Loss from discontinued operations before income taxes.....	(15,649)	(7,430)	(39,642)	(23,826)	(25,414)	--	--
Less:							
Extraordinary items.....	--	(1,237)	--	--	--	--	--
Add Continuing Operations:							
Interest expense.....	24,500	28,676	33,091	24,821	21,879	78,841	59,134
Depreciation.....	28,737	32,753	35,960	26,698	28,183	35,960	26,698
Goodwill amortization.....	13,856	13,400	13,223	9,922	9,900	13,223	9,922
Add Discontinued Operations:							
Interest expense.....	88,636	93,968	112,460	83,160	91,056	--	--
Depreciation.....	14,649	16,965	20,421	14,644	18,168	--	--
Goodwill amortization.....	619	1,041	1,148	783	1,154	--	--
Less:							
Surfactants Partnership income, gross.....	(42,920)	(51,190)	(32,380)	(24,285)	(24,218)	--	--
Equity in earnings of joint venture.....	(2,051)	(2,034)	(5,413)	(2,950)	(4,948)	(5,413)	(2,950)
Add:							
Distributions from Surfactants Partnership.....	1,951	24,024	295	221	154	--	--
Dividends received from joint venture.....	5,377	4,363	310	310	5,689	310	310
Adjusted EBITDA.....	\$167,528	\$225,783	\$245,575	\$ 190,703	\$219,805	\$ 183,273	\$ 140,006
Interest expense-continuing operations.....	\$ 24,500	\$ 28,676	\$ 33,091	\$ 24,821	\$ 21,879	\$ 78,841	\$ 59,134
Interest expense-discontinued operations.....	88,636	93,968	112,460	83,160	91,056	--	--
Total interest expense.....	113,136	122,644	145,551	107,981	112,935	78,841	59,134
Less:							
Interest expense on non-recourse debt.....	(40,969)	(27,166)	(32,085)	(24,064)	(24,064)	--	--
Adjusted Interest Expense.....	\$ 72,167	\$ 95,478	\$113,466	\$ 83,917	\$ 88,871	\$ 78,841	\$ 59,134

[Table Re-Stubbed From Above]

	NINE MONTHS ENDED SEPT. 29, 1996 (UNAUDITED)
Income from continuing operations before income taxes and extraordinary item.....	\$ 63,889
Add (Deduct):	
Loss from discontinued operations before income taxes.....	--
Less:	
Extraordinary items.....	--
Add Continuing Operations:	
Interest expense.....	56,192
Depreciation.....	28,183
Goodwill amortization.....	9,900
Add Discontinued Operations:	
Interest expense.....	--
Depreciation.....	--
Goodwill amortization.....	--
Less:	
Surfactants Partnership income, gross.....	--
Equity in earnings of joint venture.....	(4,948)
Add:	
Distributions from Surfactants	

Partnership.....	--
Dividends received from joint venture.....	5,689
Adjusted EBITDA.....	\$ 158,905
Interest expense-continuing operations.....	\$ 56,192
Interest expense-discontinued operations.....	--
Total interest expense.....	56,192
Less:	
Interest expense on non-recourse debt.....	--
Adjusted Interest Expense.....	\$ 56,192

RISK FACTORS

In addition to the other matters described in this Prospectus, the following risk factors should be carefully considered by each holder of Old Notes before accepting the applicable Exchange Offer, although the risk factors set forth below are generally applicable to the Old Notes as well as the New Notes.

SUBSTANTIAL LEVERAGE

The Company has substantial consolidated debt outstanding. At September 29, 1996, the Company had total outstanding consolidated long-term debt of \$239.8 million and total common stockholder's equity of \$61.7 million. At September 29, 1996, on a pro forma basis, after giving effect to the Transactions, the Company would have had total outstanding consolidated long-term debt of \$789.3 million and total common stockholder's equity of \$196.4 million. The Exchange Offers will not affect the amount of the Company's long-term debt or shareholder's equity. The substantial leverage of the Company has important consequences for holders of the Notes, including the risk that the Company may not generate sufficient cash flow from operations to pay principal and interest on its indebtedness or to invest in its businesses. While the Company believes, based upon its historical and anticipated performance, that it should be able to satisfy its obligations (including interest on and principal of the Notes) from operations and appropriate financings and otherwise, no assurance to that effect can be given. While other measures to raise cash to satisfy obligations include potential sales of assets or equity, the Company's ability to raise funds by selling either assets or equity or debt securities is dependent on results of operations and market conditions. In addition, if ISP Holdings owns less than 80% of the common stock, par value \$.01 per share (the 'ISP Common Stock'), of ISP, payments pursuant to its Tax Sharing Agreement with ISP (the 'ISP Holdings Tax Sharing Agreement') would not be available to ISP Holdings. See 'Tax Sharing Agreement.' In the event that the Company is unable to refinance indebtedness or raise funds through sales of assets or equity or debt securities or otherwise, its ability to pay principal of and interest on the Notes would be adversely affected. See Note 8 of Notes to Consolidated Financial Statements and 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition.'

CHANGE OF CONTROL; ACCELERATION OF DEBT

ISP and its principal domestic subsidiaries are parties to a Credit Agreement, dated July 26, 1996 (the 'ISP Credit Agreement'), with The Chase Manhattan Bank, as Agent, and the banks named therein, that provides for a \$400 million unsecured revolving credit facility, \$75 million of which may be made available for commercial and standby letters of credit. It is an event of default under the ISP Credit Agreement if at any time, among other things, (i) any person or group of related persons (other than Samuel J. Heyman and his affiliates) shall, on any date, control at least as much of the voting stock of ISP as is owned, directly or indirectly, by Mr. Heyman and his affiliates on such date, (ii) Mr. Heyman and his affiliates, directly or indirectly, shall own less than 25% of the voting stock of ISP outstanding on any date and any other person or group of related persons shall control an amount of voting stock

greater than one half of the amount of voting stock of ISP owned by Mr. Heyman and his affiliates on such date, or (iii) Mr. Heyman and his affiliates shall, on any date, cease to own, directly or indirectly, at least 10% of the voting stock of ISP outstanding on such date. If a change of control as described in the ISP Credit Agreement occurs, the revolving credit facilities could be terminated and the loans thereunder accelerated, an event which could also cause the \$200 million principal amount of 9% Senior Notes due 1999 of ISP (the 'ISP Notes') to be accelerated. See 'Capitalization.' In addition, each Indenture requires the Company, in the event of a Change of Control (as defined), to make an offer to purchase the New Notes issued pursuant thereto at a purchase price of 101% of the principal amount of such New Notes (or, if lower, the applicable redemption prices then in effect under the provisions described in the first and fourth paragraphs under 'Description of the New Notes--Optional Redemption'). A change of control under the ISP Credit Agreement or under the Indentures would have a material adverse impact on ISP and ISP Holdings, and there can be no assurance that the Company will have the financial resources necessary to repay or repurchase, as applicable, the loans under the ISP Credit Agreement, the ISP Notes or the Notes upon such an event. Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, G-I Holdings, ISP and BMCA, beneficially owns approximately 83% of the issued and outstanding ISP Common Stock. Based on publicly available information, ISP Holdings believes that no unrelated third party beneficially owns 5% or more of the issued and outstanding ISP Common Stock.

HOLDING COMPANY STRUCTURE AND RELATED CONSIDERATIONS

ISP Holdings is a holding company with no business operations of its own. ISP Holdings' principal sources of funds to pay interest and principal with respect to the Notes, to redeem or repurchase Notes upon the occurrence of a Change of Control or otherwise and to pay its other obligations, will be, principally, dividends and loans from ISP, payments pursuant to the ISP Holdings Tax Sharing Agreement, borrowings, refinancing of indebtedness or capital contributions or loans from its affiliates or stockholders. None of the affiliates or stockholders of ISP Holdings, including ISP, will be required to make any capital contributions or other payments to ISP Holdings with respect to ISP Holdings' obligations on the Notes or any of its other obligations, and the obligations of ISP Holdings with respect to the Notes will not be guaranteed by any affiliate of ISP Holdings or any other person. There can be no assurance that any of the foregoing actions could be effected on satisfactory terms, that they would be sufficient to enable ISP Holdings to make any payments in respect of the Notes when required or that any of such actions would be permitted by the terms of debt or other instruments of the affiliates or stockholders of ISP Holdings then in effect.

The ISP Credit Agreement and the indenture governing the ISP Notes contain restrictions on payments, including loans and advances, from ISP and its subsidiaries to its parent corporations. Such restrictions limit the availability of dividends and other payments from ISP, which would provide cash to ISP Holdings to service its obligations, including interest on the Notes. In addition, the ISP Credit Agreement limits ISP from making loans to, or providing letters of credit for the benefit of, affiliates, including ISP Holdings, in

excess of \$75 million outstanding at any time. As of September 29, 1996, after giving effect to the most restrictive of the aforementioned restrictions, it would have been permissible for ISP to pay dividends in the aggregate amount of \$79.9 million, of which \$66.4 million would have been available to ISP Holdings, and to make loans to affiliates of \$72.7 million. See 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition' and Note 8 of Notes to Consolidated Financial Statements.

The events that will constitute a Change of Control under the Indentures may also constitute events of default or repurchase right events under certain debt instruments of ISP and its subsidiaries. See '--Change of Control; Acceleration of Debt.' In addition, if ISP Holdings owns less than 80% of ISP Common Stock, payments pursuant to the ISP Holdings Tax Sharing Agreement would not be available to ISP Holdings. See 'Tax Sharing Agreement.'

Any right of ISP Holdings and its creditors, including holders of the Notes, to participate in the assets of any of ISP Holdings' subsidiaries upon any liquidation or reorganization of any such subsidiary will be subject to the prior claims of that subsidiary's creditors, including trade creditors (except to the extent ISP Holdings may itself be a creditor of such subsidiary). Accordingly, the Notes will be effectively subordinated to all liabilities of ISP Holdings' subsidiaries, including trade payables.

RESTRICTIONS IMPOSED BY INDEBTEDNESS

The terms of the Indentures and the ISP Credit Agreement contain a number of significant covenants that, among other things, restrict the ability of the Company and its subsidiaries to dispose of assets or merge, incur debt, pay dividends, repurchase or redeem capital stock and indebtedness, create liens, make capital expenditures and make certain investments or acquisitions. The ability of the Company and its subsidiaries to comply with such provisions may be affected by events beyond the Company's control. In the event of any such default under the ISP Credit Agreement, depending on the actions taken by the lenders party to the ISP Credit Agreement (the 'Lenders'), the Lenders could elect to declare all amounts borrowed under the ISP Credit Agreement, together with accrued interest and other fees, to be due and payable, require ISP to apply all its available cash to repay such borrowings and prevent ISP from making distributions to the Company including distributions that could be used to make payments on the Notes. If the indebtedness under the ISP Credit Agreement were to be accelerated, there can be no assurance that the assets of ISP would be sufficient to repay all indebtedness of ISP in full. In addition, certain defaults under the ISP Credit Agreement will result in a default under the Indentures. See 'Description of the New Notes--Events of Default.'

ACETYLENE SUPPLY

The primary raw material used by ISP in the manufacture of its specialty chemicals is acetylene. Acetylene is available from a limited number of

suppliers and, because of its instability, can only be transported short distances. Acetylene is obtained by ISP for domestic use from two unaffiliated suppliers, each using a different production technology, pursuant to long-term supply contracts. In the event of a substantial interruption in the supply of acetylene from current sources, no assurances can be made that ISP would be able to obtain as much acetylene from other sources as would be necessary to meet its supply requirements. A substantial interruption of ISP's supply of acetylene would have a material adverse effect on the business and operations of the Company as approximately 85-90% of the sales of ISP's specialty chemicals are derived from acetylene which is either purchased in the United States as a raw material or is purchased in the form of butanediol from GAF-Huls Chemie GmbH, a joint venture between Huls AG and ISP ('GAF-Huls'). ISP has a long-standing agreement with GAF-Huls to import butanediol into the United States for use as a feedstock for the production of ISP's solvents and polymers. ISP has not experienced an interruption of its acetylene supply that has had a material adverse effect on its sales of specialty chemicals. See 'Business--ISP--Specialty Chemicals--Raw Materials.'

FOREIGN CURRENCY FLUCTUATIONS

Approximately 50% of the Company's net sales and 54% of its operating income in 1995 was attributable to its international operations. Fluctuations in the value of foreign currencies may cause the Company's U.S. dollar denominated sales and profits to decrease or increase without relation to the actual sales or profits of its international operations. For a discussion of the Company's international operations, see 'Business--ISP-- Specialty Chemicals--International Operations,' and for a discussion of the Company's policy to manage its foreign currency exposure, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition.'

SALES TO SIGNIFICANT CUSTOMERS

In 1996, BMCA and USI purchased approximately \$50.5 million of mineral products from ISP, representing approximately 7% of ISP's total net sales and approximately 59% of ISP's net sales of mineral products. No other customer accounted for more than 5% of ISP's total net sales in 1996. BMCA purchases from ISP all of its colored roofing granule requirements (except for the requirements of BMCA's California roofing plant) under a requirements contract which was renewed for 1997 and is subject to annual renewal unless terminated by ISP or BMCA. In December 1995, USI commenced purchasing from ISP substantially all of its requirements for colored roofing granules (except for the requirements of USI's Stockton, California and Corvallis, Oregon plants) pursuant to a requirements contract which expires December 31, 1997. The consummation of the Spin Off Transactions, which resulted in BMCA and USI no longer being subsidiaries of ISP Holdings, did not affect the terms of such requirements contracts. A substantial decrease in business from BMCA would have an adverse impact on ISP's financial condition and results of operations.

REGULATION; ENVIRONMENTAL CONSIDERATIONS

The Company, together with other companies, is a party to a variety of

proceedings and lawsuits involving environmental matters ('Environmental Claims') under the Comprehensive Environmental Response Compensation and Liability Act ('CERCLA') and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites, a number of which are in the early stages or have been dormant for protracted periods.

For additional information relating to environmental litigation involving the Company, see 'Business-- Environmental Litigation.'

The enactment by federal, state or local governments of new laws or regulations or a change in the interpretation of existing laws or regulations relating to environmental matters could increase the cost of producing the products manufactured by the Company or otherwise adversely affect the demand for its products and may require additional expenditures. See 'Business--Environmental Compliance.'

CONTROLLING STOCKHOLDER

ISP Holdings is controlled by Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, G-I Holdings, ISP and BMCA. Accordingly, Mr. Heyman has the ability to elect the entire Board of Directors of each of such companies and determine the outcome of any other matter submitted to their respective stockholders for approval. In particular, subject to the terms of the Indentures, Mr. Heyman has the ability to effect certain corporate transactions, including mergers, consolidations and the sale of all or substantially all of ISP Holdings' or its subsidiaries' assets. See 'Security Ownership of Certain Beneficial Owners and Management' and 'Risk Factors--Change of Control; Acceleration of Debt.'

ADDITIONAL RISKS RELATED TO THE SPIN OFF TRANSACTIONS

If a court in a lawsuit by an unpaid creditor or a representative of creditors, such as a trustee in bankruptcy, were to find that prior to or immediately after the Spin Off Transactions were effected, GAF, ISP Holdings, G Industries, GFC or G-I Holdings was insolvent, engaged in a business or transaction for which such entity's remaining assets constituted unreasonably small capital, intended to incur, or believed it would incur, debts beyond its ability to pay as such debts matured or if such company was found to be at the time of the consummation of the Spin Off Transactions, a defendant in civil actions (including those asserting asbestos-related claims) that resulted in judgments which such company was or became unable to satisfy, such court may be asked to void the Spin Off Transactions (in whole or in part) as a fraudulent conveyance and require that, among other things, the stockholders that received a distribution return the distribution, including the common stock of ISP Holdings (in whole or in part), to the distributing company. In such event, the assets of GAF distributed in the Spin Off Transactions, including the capital stock of ISP Holdings and ISP, could be subject to claims of such creditors, including asbestos claimants. The measure of insolvency for purposes of the foregoing will vary depending upon the jurisdiction whose law is being applied. Generally, however, GAF, ISP Holdings, G Industries, GFC or G-I Holdings would be considered insolvent if the fair value of their respective assets were less

than the amount of their respective liabilities or if they incurred debt beyond their ability to repay such debt as it matures. In addition, under Section 170 of the Delaware General Corporation Law (which is applicable to all corporations that made a distribution as part of the Spin Off Transactions) a corporation generally may make distributions to its stockholders only out of its surplus (net assets minus capital) and not out of capital and in the event that all or part of the Spin Off Transactions were found unlawful under Section 170, such distributions may be recaptured for the benefit of creditors.

As a condition to the consummation of the Spin Off Transactions, the Board of Directors of GAF, ISP Holdings, GFC, G-I Holdings and G Industries received a satisfactory opinion from HLHZ regarding the solvency of such companies and the satisfaction of certain standards regarding the permissibility of certain distributions contemplated by the Spin Off Transactions under Section 170 of the Delaware General Corporation Law. HLHZ rendered such an opinion to the Boards of Directors of each of such companies on the date of the distribution of the capital stock of ISP Holdings to GAF's stockholders. See 'The Spin Off Transactions.' There is no certainty, however, that a court would reach the same conclusions set forth in such opinion in determining whether GAF, ISP Holdings, GFC, G-I Holdings or G Industries was insolvent at the time of, or after giving effect to, the Spin Off Transactions. See 'The Spin Off Transactions' for a description of the reviews, analyses and inquiries made by HLHZ and the financial projections, forecasts and other representations provided by GAF and relied upon by HLHZ in rendering such opinion.

In November 1996, GAF received the IRS Ruling to the effect that the Spin Off Transactions will not result in recognition of income by any members of the GAF Tax Group. The IRS Ruling was conditioned upon the accuracy of certain representations contained in GAF's request therefor as to certain facts and circumstances with respect to the Spin Off Transactions. If the Spin Off Transactions did not qualify as 'tax-free spin offs' under the Internal Revenue Code, the GAF Tax Group would recognize gain, but not loss, as if the common stock of ISP Holdings, G-I Holdings and ISP were sold at the fair market value thereof. The gain recognized will be an amount equal to the fair market value of the ISP Holdings common stock, G-I Holdings common stock and ISP Common Stock in excess of the adjusted tax basis in such shares of common stock as determined immediately prior to the Spin Off Transactions. The tax on the income would be payable by GAF. To the extent not paid by GAF, each member of the GAF Tax Group as it existed prior to the Spin Off Transactions (including ISP

Holdings, ISP and their respective subsidiaries) would be jointly and severally liable for such tax liability. See 'Certain Relationships--Mutual Indemnification.'

As a matter of federal tax law, ISP Holdings, ISP and their subsidiaries would be jointly and severally liable for any tax liability for any year in which they were members of the GAF Tax Group. GAF, G-I Holdings, G Industries and GCC have agreed to indemnify ISP Holdings, ISP and their subsidiaries for all tax liabilities of the indemnifying companies, including any liability with

respect to the Spin Off Transactions. See 'Tax Sharing Agreement.'

ABSENCE OF A PUBLIC MARKET

Prior to the exchange of the New Notes offered hereby, there has been no public market for any of the Notes, and there can be no assurance as to (i) the liquidity of any such market that may develop, (ii) the ability of the holders of New Notes to sell their New Notes or (iii) the price at which the holders of New Notes would be able to sell their New Notes. If such a market were to exist, the New Notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes, and the financial performance of ISP Holdings and its subsidiaries. ISP Holdings does not intend to list the New 9% Notes or the New 9 3/4% Notes on any securities exchange or to seek approval for quotations through any automated quotation system and no active market for the New Notes is currently anticipated. There is no assurance as to the liquidity of the trading market for the New Notes. Bear, Stearns & Co. Inc. has advised ISP Holdings that it currently anticipates making a secondary market for the New Notes, but is not obligated to do so and any such market making, if commenced, may be discontinued at any time without notice.

EXCHANGE OFFER PROCEDURES

Issuance of the New 9% Notes in exchange for Old 9% Notes and New 9 3/4% Notes in exchange for Old 9 3/4% Notes pursuant to the Exchange Offers will be made only after a timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation (as defined) of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Old Notes tendered for exchange will be determined by ISP Holdings in its sole discretion, which determination will be final and binding on all parties. Therefore, holders of each issue of Old Notes desiring to tender such Old Notes in exchange for the applicable issue of New Notes should allow sufficient time to ensure timely delivery. Old Notes that are not tendered or are tendered but not accepted will, following the consummation of the Exchange Offers, continue to be subject to the existing restrictions upon transfer thereof and ISP Holdings will have no further obligation to provide for the registration under the Securities Act of such Old Notes except as described herein. See 'The Exchange Offers--Purpose and Effect.' In addition, any holder of Old Notes who tenders in the applicable Exchange Offer for the purpose of participating in a distribution of the applicable New Notes will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See 'Plan of Distribution.' To the extent that Old Notes are tendered and accepted in either Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes could be adversely affected. ISP Holdings does not intend to extend either Exchange Offer although it reserves the right to do so. See 'The Exchange Offers.'

CAPITALIZATION

The following table sets forth the consolidated capitalization of ISP Holdings as of September 29, 1996 and as adjusted on a pro forma basis to give effect to the Transactions. This table should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Prospectus.

	AS OF SEPTEMBER 29, 1996	
	ACTUAL	PRO FORMA (1)
	(THOUSANDS)	
Short-term Debt and current maturities of Long-term Debt:		
Current maturities of long-term debt.....	\$ 361	\$ 361
Loan payable to affiliate.....	17,797	--
Short-term debt.....	22,518	22,518
Total.....	\$ 40,676	\$ 22,879
Long-term Debt (excluding current maturities): (2)		
9% Senior Notes due 2003.....	\$ --	\$324,093
9 3/4% Senior Notes due 2002.....	--	199,871
9% ISP Senior Notes Due 1999.....	200,000	200,000
Borrowings under revolving credit facilities.....	--	25,577 (3)
Obligations on mortgaged properties.....	38,125	38,125
Obligations under capital leases.....	1,635	1,635
Long-term note payable to affiliate.....	80,977	--
Total Long-term Debt.....	\$ 320,737	\$789,301
Shareholder's Equity (Deficit):		
Capital stock and additional paid-in capital.....	\$ 118,516	\$244,780
Excess of purchase price over adjusted historical cost of the predecessor company shares owned by GAF stockholders.....	(72,605)	(63,483)
Retained earnings.....	1,924	1,924
Cumulative translation adjustment and other.....	13,818	13,211
Total Shareholder's Equity.....	\$ 61,653	\$196,432
Total Capitalization.....	\$ 382,390	\$985,733

(1) For an explanation of the assumptions used to arrive at such pro forma information, see 'Notes to Selected Financial Data.'

(2) For a description of long-term debt, see Note 8 to Consolidated Financial Statements.

(3) Reflects borrowings of \$25.6 million under the ISP Credit Agreement used to repay loans owed by ISP to G-I Holdings as of September 29, 1996.

SELECTED FINANCIAL DATA

Set forth below are selected consolidated financial data of the Company. A predecessor company to GAF was acquired on March 29, 1989 in a management-led buyout (the 'GAF Acquisition'). Accordingly, a step up in asset values to fair value was required by the purchase method of accounting. As a result, financial data for periods subsequent to the GAF Acquisition reflect non-cash charges consisting of goodwill amortization and depreciation of increased asset values. Such non-cash charges amounted to \$22, \$22, \$22.6, \$22.6, \$22.5, \$16.8 and \$16.8 million for the years 1991, 1992, 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively. The results of any interim period are not necessarily indicative of the results to be expected for the full year.

The pro forma balance sheet data give effect to the Transactions as if they had been completed as of September 29, 1996. The pro forma operating data give effect to the Transactions as if they had been completed as of January 1, 1995. The Exchange Offers will not affect the amount of the Company's long-term debt or stockholder's equity. The pro forma financial information does not purport to project the financial position or the results of operations for any future period or to represent what the financial position or results of operations would have been if the Transactions had been completed at the dates indicated. All financial data relating to ISP Holdings and its subsidiaries contained herein have been prepared to retroactively reflect the formation of ISP Holdings. See Notes 14 and 16 to Consolidated Financial Statements.

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED	
						OCT. 1,	SEPT. 29,
	1991	1992	1993	1994	1995	1995 (UNAUDITED)	1996 (UNAUDITED)
(IN MILLIONS, EXCEPT RATIO DATA)							
Operating Data:							
Net sales.....	\$525.8	\$570.8	\$548.3	\$600.0	\$689.0	\$ 530.3	\$ 544.1
Operating income.....	121.9	107.7	65.1	99.2	127.1	99.2	105.7
Interest expense.....	52.7	30.6	24.5	28.7	33.1	24.8	21.9
Income from continuing operations before income taxes and extraordinary items.....	75.7	85.8	49.8	72.5	106.1	81.2	98.2
Income from continuing operations before extraordinary items and cumulative effect of accounting change.....	46.2	47.5	23.8	37.1	55.1	41.8	51.8
Ratio of earnings to fixed charges(1).....	2.48	3.78	2.83	3.32	4.06	4.08	5.23
	DECEMBER 31,					SEPTEMBER 29, 1996	
						ACTUAL	PRO FORMA (GIVING EFFECT
	1991	1992	1993	1994	1995	(UNAUDITED)	TO THE TRANSACTIONS) (UNAUDITED)
(IN MILLIONS, EXCEPT RATIO DATA)							
Balance Sheet Data:							
Cash and short-term investments.....	\$ 10.1	\$ 81.7	\$ 82.8	\$ 77.4	\$ 150.0	\$ 111.7	\$ 156.7
Total working capital.....	178.6	257.1	143.9	228.0	290.0	413.0	220.9
Total assets.....	1,235.0	1,348.2	1,309.0	1,357.5	1,460.4	1,537.3	1,361.1
Long-term debt less current maturities(2).....	131.4	493.0	367.7	285.4	280.3	239.8	789.3
Stockholder's equity (deficit).....	156.2	(42.6)	(42.6)	(15.8)	(1.7)	61.7	196.4

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED	
						OCT. 1, 1995	SEPT. 29, 1996
	1991	1992	1993	1994	1995	(UNAUDITED)	(UNAUDITED)
	(IN MILLIONS, EXCEPT RATIO DATA)						
Other Data:							
Depreciation.....	\$ 23.2	\$ 25.6	\$ 28.7	\$ 32.8	\$ 36.0	\$ 26.7	\$ 28.2
Goodwill amortization.....	13.8	13.7	13.9	13.4	13.2	9.9	9.9
Capital expenditures and acquisitions.....	34.4	70.5	62.9	31.1	38.9	26.6	35.7
Cash Flows from:							
Operating activities.....	47.1	77.3	111.8	75.9	143.8	97.7	82.5
Investing activities.....	(34.4)	(70.5)	(61.7)	(27.2)	(124.4)	(98.0)	5.0
Financing activities.....	(21.9)	64.8	(50.3)	(39.6)	(25.5)	(9.4)	(89.8)
Adjusted EBITDA(3).....	207.3	207.2	167.5	225.8	245.6	190.7	219.8
Ratio of Adjusted EBITDA to Adjusted Interest Expense(3).....	2.14	2.95	2.32	2.36	2.16	2.27	2.47

	YEAR ENDED DECEMBER 31, 1995			NINE MONTHS ENDED	
				OCT. 1, 1995	SEPT. 29, 1996
	(UNAUDITED)			(UNAUDITED)	(UNAUDITED)
	(IN MILLIONS, EXCEPT RATIO DATA)				
Pro Forma Operating Data(4):					
Interest expense.....		\$78.8		\$59.1	\$56.2
Income from continuing operations.....		25.3		19.5	29.4
Ratio of earnings to fixed charges(1).....		1.79		1.80	2.16
Ratio of Adjusted EBITDA to Adjusted Interest Expense(3).....		2.32		2.37	2.83

(1) For purposes of these computations, earning consist of income (loss) from continuing operations before income taxes, minority interest, extraordinary items and cumulative effect of accounting change, plus fixed charges. Fixed charges consist of interest on indebtedness (including amortization of debt issuance costs) plus that portion of lease rental expense representative of interest (estimated to be one-third of lease rental expense).

(2) See 'Capitalization' and Note 8 to Consolidated Financial Statements.

(3) The Adjusted EBITDA data are being presented because such data relate to debt covenants under the Indentures. The calculation of the ratio of Adjusted EBITDA to Adjusted Interest Expense has been performed in accordance with the definitions in the Indentures. See 'Description of the New Notes.' Accordingly, Adjusted EBITDA is calculated as income from continuing operations before income taxes, plus income (loss) from discontinued operations before income taxes, less extraordinary items, increased by interest expense, depreciation and goodwill amortization and excluding equity in earnings of the GAF-Huls joint venture and Surfactants Partnership income except to the extent distributed in cash. Adjusted Interest Expense is calculated as total interest expense excluding interest expense on non-recourse debt related to the Surfactants Partnership. Certain restrictions exist as to the amounts available for making loans, paying dividends and otherwise making distributions to ISP Holdings. See 'Risk Factors--Holding Company Structure and Related Considerations.' See 'Summary Financial Data' for the details of the calculations of Adjusted EBITDA and Adjusted Interest Expense. As an indicator of the Company's operating performance, such supplemental financial information should not be considered as an alternative to net income or any other measure of performance under generally accepted accounting principles.

(4) The Pro Forma Operating Data have been prepared assuming that the ISP

Holdings Transactions and the Spin Off Transactions were consummated as of the beginning of the respective periods presented. The effect of such assumptions was to decrease the Company's pro forma income from continuing operations before income taxes by \$45.7, \$34.3 and \$34.3 million for the year 1995 and the first nine months of 1995 and 1996, respectively. As a result, the Company's pro forma provision for income taxes decreased by \$16, \$12 and \$12 million for the year 1995 and the first nine months of 1995 and 1996, respectively, based on an effective marginal income tax rate of 35%. See 'Pro Forma Consolidated Financial Statements.'

ISP HOLDINGS INC.
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following unaudited pro forma consolidated financial statements have been prepared on the basis as set forth in the notes hereto.

The accompanying pro forma consolidated balance sheet gives effect to such transactions as if they had been completed as of September 29, 1996. The accompanying pro forma consolidated income statements give effect to such transactions as if they had been completed as of January 1, 1995.

The pro forma consolidated financial statements do not purport to project the results of operations for any future period or to represent what the financial position or results of operations would have been if the Transactions had been completed at the dates indicated. All financial data relating to ISP Holdings and its subsidiaries contained herein have been prepared to retroactively reflect the formation of ISP Holdings.

ISP HOLDINGS INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 29, 1996
(THOUSANDS)

(UNAUDITED)

		ADJUSTMENTS		
	ACTUAL	ISP HOLDINGS TRANSACTIONS	SPIN OFF TRANSACTIONS	PRO FORMA (AFTER TRANSACTIONS)
ASSETS				
Current assets:				
Cash.....	\$ 11,767	\$ 315,172 (1) (373,944) (2) 131,969 (4)	\$ 25,577 (5) (98,774) (6) 45,000 (7)	\$ 56,767
Short-term investments.....	99,952			99,952
Accounts receivable, trade.....	72,764			72,764
Accounts receivable, other.....	18,824			18,824
Insurance receivable.....	1,813			1,813
Inventories.....	98,354			98,354
Deferred income tax benefits.....	6,596		18,495 (9)	25,091
Net current assets of discontinued operations.....	254,979		(254,979) (11)	--
Other current assets.....	7,130			7,130
Total current assets.....	572,179	73,197	(264,681)	380,695
Investment in G-I Holdings Notes.....	--	373,944 (2) 199,871 (3) (131,969) (4)	(45,000) (7) (396,846) (8)	--
Property, plant and equipment.....	482,416		3,143 (10)	485,559
Goodwill, net.....	420,558		3,190 (10)	423,748
Insurance receivable.....	5,130			5,130
Other assets.....	57,005	8,921 (1)		65,926
Total assets.....	\$1,537,288	\$ 523,964	\$ (700,194)	\$ 1,361,058
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities:				
Short-term debt.....	\$ 22,518			\$ 22,518
Current maturities of long-term debt.....	361			361
Loan payable to affiliate.....	17,797		\$ (17,797) (6)	--
Accounts payable.....	50,017			50,017
Accrued liabilities.....	57,929			57,929
Due to affiliate.....	4,413		18,495 (9)	22,908
Income taxes.....	6,099			6,099
Total current liabilities.....	159,134		698	159,832
Long-term debt less current maturities.....	239,760	\$ 324,093 (1) 199,871 (3)	25,577 (5)	789,301
Long-term note payable to affiliate.....	80,977		(80,977) (6)	--
Deferred income taxes.....	45,452		(10,000) (9)	35,452
Net noncurrent liabilities of discontinued operations.....	770,271		(770,271) (11)	--
Other liabilities.....	62,224			62,224
Minority interest in ISP.....	117,817			117,817
Shareholder's equity:				
Common stock and additional paid-in capital.....	118,516		(396,846) (8) 10,000 (9) 6,333 (10) 506,777 (11)	244,780
Excess of purchase price over the adjusted historical cost of the predecessor company shares owned by GAF's stockholders.....	(72,605)		9,122 (11)	(63,483)
Retained earnings.....	1,924			1,924
Cumulative translation adjustment and other.....	13,818		(607) (11)	13,211
Shareholder's equity.....	61,653	--	134,779	196,432
Total liabilities and shareholder's equity.....	\$1,537,288	\$ 523,964	\$ (700,194)	\$ 1,361,058

See accompanying Notes to Pro Forma Consolidated Financial Statements.

ISP HOLDINGS INC.
PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1995
(THOUSANDS)

(UNAUDITED)

		ADJUSTMENTS		PRO FORMA (AFTER TRANSACTIONS)
		ISP HOLDINGS TRANSACTIONS	SPIN OFF TRANSACTIONS	
	ACTUAL			
Net sales.....	\$689,002			\$ 689,002
Costs and expenses:				
Cost of products sold.....	414,672			414,672
Selling, general and administrative.....	134,011			134,011
Goodwill amortization.....	13,223			13,223
Total costs and expenses.....	561,906			561,906
Operating income.....	127,096			127,096
Interest expense.....	(33,091)	\$ (30,654) (12) (19,487) (13)	\$ 4,392 (14)	(78,840)
Equity in earnings of joint venture.....	5,413			5,413
Other income, net.....	6,684			6,684
Income from continuing operations before income taxes.....	106,102	(50,141)	4,392	60,353
Income taxes.....	(38,727)	10,729 (12) 6,821 (13)	(1,537) (14)	(22,714)
Minority interest in income of ISP.....	(12,306)			(12,306)
Income from continuing operations.....	\$ 55,069	\$ (32,591)	\$ 2,855	\$ 25,333

See accompanying Notes to Pro Forma Consolidated Financial Statements.

ISP HOLDINGS INC.
PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 29, 1996
(THOUSANDS)

(UNAUDITED)

	ACTUAL	ADJUSTMENTS		PRO FORMA (AFTER TRANSACTIONS)
		ISP HOLDINGS TRANSACTIONS	SPIN OFF TRANSACTIONS	
Net sales.....	\$544,135			\$ 544,135
Costs and expenses:				
Cost of products sold.....	320,295			320,295
Selling, general and administrative.....	108,236			108,236
Goodwill amortization.....	9,900			9,900
Total costs and expenses.....	438,431			438,431
Operating income.....	105,704			105,704
Interest expense.....	(21,879)	\$ (22,991) (12) (14,616) (13)	\$ 3,294 (14)	(56,192)
Equity in earnings of joint venture.....	4,948			4,948
Other income, net.....	9,429			9,429
Income from continuing operations before income taxes and extraordinary items.....	98,202	(37,607)	3,294	63,889
Income taxes.....	(35,647)	8,047 (12) 5,115 (13)	(1,153) (14)	(23,638)
Minority interest in income of ISP.....	(10,802)			(10,802)
Income from continuing operations before extraordinary items.....	\$ 51,753	\$ (24,445)	\$ 2,141	\$ 29,449

See accompanying Notes to Pro Forma Consolidated Financial Statements.

ISP HOLDINGS INC.
PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED OCTOBER 1, 1995
(THOUSANDS)

(UNAUDITED)

		ADJUSTMENTS		PRO FORMA (AFTER TRANSACTIONS)
		ISP HOLDINGS TRANSACTIONS	SPIN OFF TRANSACTIONS	
	ACTUAL			
Net sales.....	\$530,334			\$ 530,334
Costs and expenses:				
Cost of products sold.....	322,329			322,329
Selling, general and administrative.....	98,876			98,876
Goodwill amortization.....	9,922			9,922
Total costs and expenses.....	431,127			431,127
Operating income.....	99,207			99,207
Interest expense.....	(24,821)	\$ (22,991) (12)	\$ 3,294 (14)	(59,134)
		(14,616) (13)		
Equity in earnings of joint venture.....	2,950			2,950
Other income, net.....	3,869			3,869
Income from continuing operations before income taxes.....	81,205	(37,607)	3,294	46,892
Income taxes.....	(29,981)	8,047 (12)	(1,153) (14)	(17,972)
		5,115 (13)		
Minority interest in income of ISP.....	(9,452)			(9,452)
Income from continuing operations.....	\$ 41,772	\$ (24,445)	\$ 2,141	\$ 19,468

See accompanying Notes to Pro Forma Consolidated Financial Statements.

ISP HOLDINGS INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following Notes to Pro Forma Consolidated Financial Statements should be read in conjunction with descriptions of the Spin Off Transactions and ISP Holdings Transactions included elsewhere in this Prospectus.

- (1) Reflects the issuance of \$325 million in aggregate principal amount of the Old 9% Notes pursuant to the 9% Note Offering for net cash proceeds of \$315.4 million, after related underwriting discount and deferred financing fees and expenses of the ISP Holdings Transactions of \$8.9 million.
- (2) Reflects cash proceeds from the consummation of the Tender Offer in the amount of \$373.9 million.
- (3) Reflects issuance of \$199.9 million of the Old 9 3/4% Notes pursuant to the Old Exchange Offer.
- (4) Reflects the Repurchase by G-I Holdings from ISP Holdings of Discount Notes in an amount of \$132 million.
- (5) Reflects borrowings by ISP of \$25.6 million under the ISP Credit Agreement to be used to repay loans owed by ISP to G-I Holdings (see Note (6)).
- (6) Reflects repayment upon consummation of the Spin Off Transactions of \$98.8 million of loans owed by ISP to G-I Holdings.
- (7) Reflects the purchase by G-I Holdings from ISP Holdings of Discount Notes for an aggregate amount of \$45 million pursuant to the Repurchase.
- (8) Reflects the capital contribution or sale by ISP Holdings to G-I Holdings of G-I Holdings' 10% Notes acquired in the Old Exchange Offer and of Discount Notes not sold to G-I Holdings pursuant to the Repurchase.
- (9) Adjustment related to foreign tax credit carryovers available to ISP and due to G-I Holdings under the ISP Tax Sharing Agreement. G-I Holdings intends to transfer the remaining amount not utilized in its 1996 consolidated tax return, estimated to be approximately \$10 million, to ISP Holdings.
- (10) Reflects transfer of a purchase accounting adjustment from G-I Holdings to ISP Holdings relating to ISP's repurchases of its common stock.
- (11) Reflects the spin off of discontinued operations (G-I Holdings, GFC, BMCA and USI) to GAF as a result of ISP Holdings distributing all of the outstanding capital stock of G-I Holdings to GAF.
- (12) Reflects interest expense at a rate of 9% and amortization of deferred financing fees related to the Old 9% Notes, and the related tax effect at an assumed effective tax rate of 35.0%.
- (13) Reflects interest expense at a rate of 9 3/4% on the \$199.9 million of the Old 9 3/4% Notes and the related tax effect at an assumed effective tax rate of 35.0%.
- (14) Reflects reduction of interest expense on the net debt reduction of \$73.2 million related to the repayment upon consummation of the Spin Off Transactions of loans owed by ISP to G-I Holdings (see Notes (5) and (6) above).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prior to January 1, 1997, ISP Holdings was a wholly owned subsidiary of GAF. As of January 1, 1997, GAF effected the Spin Off Transactions that resulted in, among other things, the capital stock of ISP Holdings (whose principal asset is approximately 83.5% of the issued and outstanding capital stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP are no longer direct or indirect subsidiaries of GAF, and the Building Materials Business and the assets and liabilities of GFC are no longer assets and liabilities of ISP Holdings. See 'The Spin Off Transactions.' As a result of the Spin Off Transactions, ISP Holdings' continuing operations will be conducted through its 83.5% owned subsidiary, ISP, which is engaged principally in the manufacture and sale of specialty chemicals.

Accordingly, the Building Materials Business and the assets and liabilities of GFC, as well as the assets and liabilities of GAF Broadcasting Company, Inc. (which was sold in August 1996) have been classified as 'Discontinued Operations' within the financial statements for all periods presented. The following discussion is on a continuing operations basis.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements which appear elsewhere in this Prospectus. As used herein, the term 'Company' refers to ISP Holdings and its consolidated subsidiaries. All financial data contained herein have been prepared on a basis which retroactively reflects the formation of ISP Holdings as discussed in the consolidated financial statements.

Set forth below are net sales and operating income for each of ISP Holdings' business segments related to continuing operations for the years 1993, 1994 and 1995 and the first nine months of 1995 and 1996.

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
	1993	1994	1995	OCT. 1, 1995 (UNAUDITED)	SEPT. 29, 1996 (UNAUDITED)
				(IN MILLIONS)	
Net Sales:					
Specialty Chemicals.....	\$434.5	\$482.4	\$556.9	\$432.8	\$445.4
Mineral Products.....	81.3	81.1	86.1	67.3	65.5
Other.....	32.5	36.5	46.0	30.2	33.2
Total.....	\$548.3	\$600.0	\$689.0	\$530.3	\$544.1
Operating Income:					
Specialty Chemicals.....	\$ 48.0	\$ 79.9	\$105.5	\$ 81.4	\$ 91.1
Mineral Products.....	16.6	14.6	16.3	14.0	12.9
Other.....	0.5	4.7	5.3	3.8	1.7
Total.....	\$ 65.1	\$ 99.2	\$127.1	\$ 99.2	\$105.7

Note: Operating income in 1993 reflected a \$13.8 million provision for restructuring, allocated to Specialty Chemicals (\$11.8 million), Mineral Products (\$0.3 million) and Other (\$1.7 million).

RESULTS OF OPERATIONS

FIRST NINE MONTHS OF 1996 COMPARED WITH FIRST NINE MONTHS OF 1995

For the first nine months of 1996, the Company recorded income from continuing operations of \$51.8 million compared with \$41.8 million for the first nine months of 1995. The 24% increase in income from continuing operations was the result of higher operating and other income, as well as reduced interest expense and higher equity income from GAF-Huls.

Net sales for the first nine months of 1996 were \$544.1 million versus \$530.3 million for the same period in 1995. The sales growth was attributable to increased sales of specialty chemicals (up \$12.6 million), primarily reflecting increased sales volumes (\$14.5 million) and higher sales prices, and also reflected higher filter products sales (up \$2.7 million) due to increased sales volumes. The increase in sales resulted from higher sales in the U.S., Europe and the Western Hemisphere, partially offset by lower sales in the Asia-Pacific region and the

unfavorable effect (\$5.4 million) of the stronger U.S. dollar relative to other currencies in certain areas of the world. Sales for the mineral products business decreased by \$1.8 million (3%) due to lower sales volumes (down \$3.4 million) resulting from a lost customer and adverse winter weather conditions in the first quarter of 1996.

Operating income for the first nine months of 1996 increased by 7% to \$105.7 million from last year's \$99.2 million. The increase in operating income was due to higher specialty chemicals operating income (up \$9.7 million or 12%), partially offset by lower mineral and filter products results (down \$1.1 million

and \$2.4 million, respectively). The higher specialty chemicals operating income resulted primarily from the higher sales levels and improved gross margins (up 2.9 percentage points) due to improved pricing and continued benefits from the Company's re-engineering program. The gross margin improvement was attributable to the Company's increased focus on manufacturing process improvements through increased production yields, improvements in first pass quality, and increased capacity resulting from shorter production cycle times and increased on-line time for equipment. In addition, raw material costs were lower in 1996 than in 1995.

Selling, general and administrative expenses for the first nine months of 1996 increased by \$9.4 million (9%) compared with the same period in 1995, and, as a percent of sales, increased from 18.6% to 19.9%. The most significant factors for the increase in such expenses were attributable to the Company's geographic expansion efforts (\$2.5 million), increased research and development spending (\$2.2 million) and normal salary increases (\$2.5 million).

Interest expense was \$21.9 million for the first nine months of 1996, a 12% decrease compared with \$24.8 million for the same period last year. The decrease reflected lower interest rates (average borrowing rate of 7.9% in the first nine months of 1996 versus 8.4% in the first nine months of 1995) and lower average borrowings (average borrowings of \$405 million in the first nine months of 1996 versus \$439 million in the first nine months of 1995). Other income, net was \$9.4 million for the first nine months of 1996 compared with \$3.9 million last year, the increase resulting primarily from higher investment income and gains associated with the Company's program to hedge certain of its foreign currency exposures.

1995 COMPARED WITH 1994

The Company recorded income from continuing operations before extraordinary item in 1995 of \$55.1 million compared with \$37.1 million in 1994. The 48% improvement in results for 1995 reflected higher operating income (up \$27.9 million), \$3.4 million higher equity income from GAF-Huls, and a \$6.8 million increase in other income, partially offset by a \$4.4 million increase in interest expense.

Sales for 1995 were \$689 million compared with \$600 million for 1994. The 15% sales growth was attributable to increased sales in all product lines, particularly specialty chemicals (up \$74.5 million), and reflected double-digit sales increases in all regions of the world. The sales increase was primarily the result of increased sales volumes in all product lines (up \$49.6 million) and higher selling prices, and, to a lesser extent, the favorable effect (\$14.3 million) of the weaker U.S. dollar relative to other currencies in certain areas of the world.

Operating income for 1995 increased by 28% to \$127.1 million compared with \$99.2 million for 1994. The increase was attributable to higher sales in all product lines and improved gross margins (up 1.1 percentage points) due primarily to higher selling prices, partially offset by higher manufacturing costs. The gross margin improvement was attributable to the Company's increased focus on manufacturing process improvements through increased production yields, improvements in first pass quality, and increased capacity resulting from shorter production cycle times and increased on-line time for equipment. In addition, raw materials costs increased in the latter half of 1994, which increases continued through the first half of 1995. Operating income for the specialty chemicals business increased by \$25.6 million (32%), reflecting the above factors. Selling, general and administrative expenses for 1995 increased \$14.4 million (12%) over 1994 due to operating expenses associated with higher sales levels; however, such expenses as a percent of sales have decreased from 23% in 1993 to 19.9% and 19.5% in 1994 and 1995, respectively, primarily as a result of the Company's cost reduction and productivity programs announced in 1993. The Company's operating margin improved from 16.5% in 1994 to 18.4% in 1995.

Of the \$27.9 million increase in operating income in 1995, domestic operating income increased by \$16.6 million, due primarily to higher selling prices and increased volumes for specialty chemicals, as well as improved gross margins, operating income for the European region increased by \$12.2 million as a result of higher sales levels and improved gross margins, operating income for the Asia-Pacific region increased by \$.8 million with higher sales volumes partially offset by increased expenses associated with the Company's geographic expansion program, and operating income from other foreign operations declined by \$1.7 million as higher sales were offset by additional expenses attributable to the geographic expansion program and a nonrecurring 1994 benefit resulting from the Brazilian government's economic program. To help offset the effects of inflation, this program allowed companies to add normal billing surcharges in 1994. The operating income benefit to the Company in 1994 of such surcharges was approximately \$1.2 million. As inflation rates dropped, this program was discontinued in 1995.

Interest expense for 1995 was \$33.1 million, an increase of \$4.4 million from \$28.7 million in 1994. The increase was primarily the result of higher interest rates (average borrowing rate of 8.3% in 1995 versus 6.6% in 1994).

Other income (expense), net, comprises net investment income, foreign exchange gains/losses resulting from the revaluation of foreign currency-denominated accounts receivable and payable as a result of changes in exchange rates, and other nonoperating and nonrecurring items of income and expense. Other income was \$6.7 million in 1995 compared with other expense of \$.1 million in 1994. The increase in 1995 was due principally to higher net investment income (up \$10.5 million).

1994 COMPARED WITH 1993

The Company recorded income from continuing operations before extraordinary item in 1994 of \$37.1 million compared with \$23.8 million in 1993. The 56% improvement in results for 1994 reflected higher operating income (up \$34.1 million) partially offset by a \$4.2 million increase in interest expense and a reduction of \$7.3 million in other income (expense), net. Income from continuing operations in 1993 reflected a retroactive income tax provision of \$2.9 million, representing the effect of a 1% increase in the Federal corporate income tax rate on the Company's net deferred tax liability as of December 31, 1992, and a pre-tax provision of \$13.8 million, primarily related to the Company's cost reduction program.

Sales for 1994 were \$600 million, a 9% increase compared with \$548.3 million for 1993. The sales growth reflected increased sales in most product lines, primarily specialty chemicals (up \$47.9 million or 11%) and filters (up \$3.0 million or 12%), in all regions of the world, mainly due to higher volumes (\$49.7 million) and, to a lesser extent, a favorable foreign exchange effect of \$4.1 million.

Operating income for 1994 was \$99.2 million compared with \$65.1 million for 1993. The improvement was attributable to increased sales volumes and lower selling, general and administrative expenses, and the absence of the \$13.8 million restructuring charge mentioned above, partially offset by lower gross profit margins due mainly to higher manufacturing costs for specialty chemicals (up approximately \$8 million primarily as a result of raw material cost increases). The restructuring charge in 1993 was allocated on a segment basis to specialty chemicals (\$11.8 million), mineral products (\$.3 million), and other (\$1.7 million). See Note 11 to Consolidated Financial Statements. Excluding the effects of the restructuring charge allocations, operating income for specialty chemicals increased \$20.1 million (34%) in 1994 compared with 1993, reflecting the factors discussed above, and operating income for mineral products decreased \$2.3 million (14%) as a result of unfavorable pricing. Selling, general and administrative expenses for 1994 were \$119.7 million, down 5% from 1993, primarily as a result of the Company's cost reduction and productivity programs. The \$13.8 million restructuring charge in 1993 was established to cover costs associated with severance and related benefits, professional fees, relocations, and discontinuation of products. Management believes that the Company's cost reduction and productivity programs have resulted in significantly reduced operating expenses. The remaining liability as of December 31, 1995 was approximately \$4.7 million and is anticipated to be expended over the next several years. As a result of such cost reduction and productivity programs, the Company's selling, general and administrative expenses as a percent of sales decreased from 23% in 1993 to 19.9% in 1994.

Of the \$34.1 million increase in operating income in 1994, domestic operating income increased by \$22 million due primarily to higher export sales to all regions, lower operating expenses and the absence of the

prior year's restructuring charge, operating income from Europe increased by \$7.5 million, and operating income from other foreign operations increased by \$4.6 million, mainly in the Asia-Pacific region, in each case after giving effect to a portion of the \$13.8 million restructuring charge in 1993. See Note 12 to Consolidated Financial Statements.

Interest expense for 1994 was \$28.7 million, an increase of \$4.2 million from \$24.5 million in 1993. The increase was due primarily to higher interest rates (average borrowing rate of 6.6% in 1994 versus 5.4% in 1993) and, to a lesser extent, higher average outstanding borrowings (average borrowings of \$482.6 million in 1994 versus \$470.4 million in 1993).

Other expense was \$.1 million in 1994 compared with other income of \$7.2 million in 1993. The decrease in 1994 was due primarily to lower net investment income (down \$6.7 million). See Note 1 to Consolidated Financial Statements.

LIQUIDITY AND FINANCIAL CONDITION

ISP Holdings is essentially a holding company without independent businesses or operations and, as such, is dependent upon the cash flow of its approximately 83.5%-owned subsidiary, ISP, in order to satisfy its obligations. See Note 16 to Consolidated Financial Statements for a discussion of a subsequent event related to the debt obligations of ISP Holdings. ISP Holdings expects to satisfy such obligations from, among other things, refinancings of debt, dividends and loans from ISP, as to which there are restrictions under the ISP Credit Agreement (defined below) and the indenture relating to the ISP Notes, payments pursuant to the Tax Sharing Agreement between ISP Holdings and ISP and debt financings. As of September 29, 1996, after giving effect to the most restrictive of the aforementioned restrictions, it would have been permissible for ISP to pay dividends in the aggregate amount of \$79.9 million, of which \$66.4 million would have been available to ISP Holdings, and to make loans to affiliates of \$72.7 million.

In addition, as ISP's stock price appreciates, ISP Holdings may at some future time consider selling shares of ISP Common Stock, although it has no current intention to do so. If ISP Holdings were to own less than 80% of the outstanding ISP Common Stock, payments pursuant to the ISP Holdings Tax Sharing Agreement would not be available to it.

During the first nine months of 1996, the Company on a consolidated basis generated cash from operations of \$82.5 million, invested \$35.7 million in capital expenditures and an acquisition, generated \$34.2 million from net sales of available-for-sale and held-to-maturity securities, used \$83.0 million of cash for discontinued operations, and generated \$89.5 million in cash from the sale of WAXQ-FM (a discontinued operation), for a net cash inflow of \$77.5 million before financing activities. Working capital increased by \$3.0 million, primarily reflecting a \$20.6 million increase in accounts receivable due to higher sales in September 1996 versus December 1995, offset by a \$9.7 million

reduction in inventories and an \$8.8 million increase in accounts payable and accrued liabilities. The Company's inventory levels are normally at their highest levels at the end of each year in order to meet the following year's first quarter demand. Cash from operations in the first nine months of 1996 included \$5.7 million in dividends received from GAF-Huls and \$5.6 million in proceeds from net sales of trading securities.

Net cash used in financing activities totaled \$89.8 million for the first nine months of 1996, primarily reflecting a \$40.8 million reduction in borrowings under the Company's bank credit agreements, a \$19.1 million decrease in loans from an affiliate, a \$14 million decrease in short-term borrowings and dividends and net distributions of \$6.4 million to the Company's parent company, GAF. Financing activities also reflected \$10.4 million in repurchases by ISP of its common stock. ISP has adopted a program to repurchase up to a total of 4,500,000 shares of its common stock from time to time in the open market. As of September 29, 1996, 3,099,300 shares had been repurchased pursuant to the program.

As a result of the foregoing factors, cash and cash equivalents decreased by \$2.3 million during the first nine months of 1996 to \$11.8 million (excluding \$100.0 million of trading, available-for-sale and held-to-maturity securities).

During 1995, the Company on a consolidated basis generated cash from operations of \$143.8 million, reinvested \$152.6 million for capital programs and net purchases of available-for-sale and held-to-maturity securities and generated cash from discontinued operations of \$28.2 million, for a net cash inflow of \$19.4 million before financing activities. Cash from operations in 1995 included \$37.6 million in proceeds from net sales of trading securities and a \$7.9 million reduction in the cash surrender value of Company-owned insurance policies. Cash invested in additional working capital totaled \$5.1 million during 1995. This principally reflected a \$10.9 million increase in receivables due to higher sales levels, partially offset by \$2.5 million higher payables and accrued liabilities.

Net cash used in financing activities in 1995 totaled \$25.5 million, primarily reflecting \$28.2 million in dividends and net distributions paid to GAF, principally to fund the redemption by GAF of its outstanding preferred stock, \$16.6 million in repurchases by ISP of its common stock pursuant to its share repurchase program, a \$15.2 million decrease in loans from an affiliate, and \$5.6 million in repayments of long-term debt. The above items of cash utilization were partially offset by \$36.2 million of additional short-term borrowings and \$3.8 million from the sale of receivables.

As a result of the foregoing factors, cash and cash equivalents decreased by \$6.0 million during 1995 to \$14.1 million (excluding \$135.9 million of trading, available-for-sale and held-to-maturity securities).

As of September 29, 1996, the Company's scheduled repayments of long-term debt for the twelve months ending September 30, 1997 aggregated \$.4 million.

On July 26, 1996, ISP entered into a new five-year revolving credit facility (the 'ISP Credit Agreement') with a group of banks, which provides for loans of up to \$400 million and letters of credit of up to \$75 million (see Note 8 to Consolidated Financial Statements).

Borrowings by ISP Holdings and ISP are subject to the application of certain financial covenants contained in the Indentures and the ISP Credit Agreement. As of September 29, 1996, on a pro forma basis after giving effect to the ISP Holdings Transaction, ISP Holdings and ISP were in compliance with such covenants.

The Company's investment strategy is to seek to earn returns in excess of money market rates on its available cash while minimizing market risks. There can be no assurance that the Company will be successful in implementing such strategy. The Company invests primarily in hedged utility programs, international and domestic convertible arbitrage, and securities of companies involved in acquisition or reorganization transactions, including at times, common stock short positions which are offsets against long positions in securities which are expected, under certain circumstances, to be exchanged or converted into the short positions. With respect to its equity positions, the Company is exposed to the risk of market loss. See Note 1 to Consolidated Financial Statements.

ISP intends to acquire or develop a European manufacturing facility to meet the needs of ISP's European business. While the originally anticipated commencement date of the European project has been deferred because ISP has been able to implement cost-efficient capacity expansions at its existing manufacturing facilities, based upon its current analysis of additional opportunities for expansion of existing capacity, end-use demand, and other relevant factors, ISP intends to proceed with the project by the end of 1997. Costs capitalized to date related to this project are included in 'Construction in progress.' ISP anticipates utilizing internally generated funds, existing credit facilities and/or independent financing to fund the cost of the project.

Fluctuations in the value of foreign currencies may cause U.S. dollar translated amounts to change in comparison with previous periods and, accordingly, the Company cannot estimate in any meaningful way the possible effect of such fluctuations upon future income. The Company has a policy to manage these exposures to minimize the effects of fluctuations in foreign currencies, including entering into foreign exchange contracts in order to hedge its exposure. In respect of its foreign exchange contracts, the Company recognized a gain of \$5.1 million during the first nine months of 1996 and losses of \$7.4 million and \$6.6 million during the years ended December 31, 1995 and 1994, respectively. At September 29, 1996, the equivalent U.S. dollar fair value of outstanding forward foreign exchange contracts was \$175.3 million, and the amount of deferred gains and losses on such instruments was a net gain of \$2.3 million. The equivalent U.S. dollar fair value of foreign exchange contracts outstanding as of September 29, 1996 as a hedge of non-local currency loans was \$28.6 million, representing 100% of the Company's foreign currency

exposure with respect to such loans. See Note 1 to Consolidated Financial Statements.

The objectives of the Company in utilizing interest rate swap agreements are to lower funding costs, diversify sources of funding and manage interest rate exposure. As of September 29, 1996, the total notional amount of interest rate swaps outstanding for continuing operations was \$200 million and the amount of underlying debt relating to such swaps was \$200 million. By utilizing interest rate swap agreements, the Company reduced its interest expense related to continuing operations by \$2.3 million in the first nine months of 1996, \$1.8 million in 1995 and \$5.3 million in 1994. See Note 8 to Consolidated Financial Statements.

The Company does not believe that inflation has had a material effect on its results of operations during the past three years and the nine months ended September 29, 1996. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

In 1995, the Financial Accounting Standards Board issued SFAS No. 121, relating to accounting for impairment of long-lived assets, which is required to be adopted in 1996. The Company does not anticipate that the implementation of SFAS No. 121 will have a material effect on the Company's results of operations or financial position.

ISP has received conditional site designation from the New Jersey Hazardous Waste Facilities Siting Commission for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property, which designation has been appealed to the courts by the City of Linden. ISP estimates that the cost of constructing the facility will be approximately \$100 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. ISP anticipates utilizing internally generated cash and/or seeking project or other independent financing therefor. Accordingly, ISP would not expect such facility to impact materially its liquidity or capital resources.

The Company, together with other companies, is a party to a variety of administrative proceedings and lawsuits involving environmental matters. See 'Business--Environmental Litigation' for further discussion, which is incorporated herein by reference.

THE SPIN OFF TRANSACTIONS

General. On January 1, 1997, GAF effected a series of transactions involving GAF's subsidiaries and certain assets of GAF's subsidiaries that resulted, among other things, in the capital stock of ISP Holdings (whose principal asset is approximately 83.5% of the issued and outstanding capital stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP are no longer direct or indirect subsidiaries of GAF, while BMCA and USI and certain other assets and liabilities, including liabilities for asbestos-related claims, remain part of GAF, but are not assets or liabilities of ISP Holdings. Among other things, as part of the Spin Off Transactions:

1. ISP borrowed approximately \$30 million under the ISP Credit Agreement (after giving effect to utilization of proceeds of the ISP Loan) in order to repay to G-I Holdings all amounts owed by ISP to G-I Holdings;
2. G-I Holdings purchased Discount Notes from ISP Holdings for an aggregate cash purchase price equal to \$45.8 million, representing the sum of \$45 million plus an amount sufficient to pay ISP Holdings' fees and expenses related to the Spin Off Transactions (not including those fees and expenses already paid by ISP Holdings related to the ISP Holdings Transactions);
3. All Discount Notes purchased in the Tender Offer by ISP Holdings (other than those Discount Notes sold to G-I Holdings pursuant to the Repurchase or as provided in paragraph 2 above) and all 10% Notes accepted in the Old Exchange Offer by ISP Holdings were contributed to G-I Holdings by ISP Holdings as a capital contribution and cancelled by G-I Holdings;
4. Through a series of distributions, all shares of ISP Common Stock owned by GAF and its subsidiaries, including GFC, were distributed to ISP Holdings;
5. ISP Holdings distributed all of the outstanding capital stock of G-I Holdings to GAF; and
6. The capital stock of ISP Holdings was distributed to the stockholders of GAF.

IRS Ruling. In November 1996, GAF received the IRS Ruling. The IRS Ruling was conditioned upon the accuracy of certain representations contained in GAF's request therefor as to certain facts and circumstances with respect to the Spin

Off Transactions. If the Spin Off Transactions do not qualify as 'tax-free spin offs' under the Internal Revenue Code, the GAF Tax Group would recognize gain, but not loss, as if the common stock of ISP Holdings, G-I Holdings and ISP was sold at the fair market value thereof. The gain recognized would be an amount equal to the fair market value of the ISP Holdings common stock, G-I Holdings common stock and ISP Common Stock in excess of the adjusted tax basis in such shares of common stock as determined immediately prior to the Spin Off Transactions. The tax on the income would be payable by GAF. To the extent not paid by GAF, each member of the GAF Tax Group as it existed prior to the Spin Off Transactions (including ISP Holdings, ISP and their respective subsidiaries) would be jointly and severally liable for such tax liability. See 'Certain Relationships--Mutual Indemnification.'

HLHZ Opinion. As a condition to the consummation of the Spin Off Transactions, the Boards of Directors of GAF, ISP Holdings, GFC, G-I Holdings and G Industries received a satisfactory opinion regarding the solvency of such companies and the permissibility of certain distributions contemplated by the Spin Off Transactions under Section 170 of the Delaware General Corporation Law. In written opinions dated September 12, 1996 and December 19, 1996, HLHZ stated that, based upon the considerations set forth therein and on other factors it deemed relevant, both before and after giving effect to the Transactions, with respect to each of GAF, ISP Holdings, GFC, G-I Holdings and G Industries, in each case on a stand alone and consolidated basis, (a) the fair value and present fair saleable value of such company's aggregate assets exceed and would exceed such company's stated liabilities and identified contingent liabilities; (b) such company is and would be able to pay its debts as they mature; (c) the capital remaining in such company after the Spin Off Transactions is not and would not be unreasonably small for the business in which such company is engaged, as management has indicated it is now conducted and is proposed to be conducted following consummation of the Spin Off Transactions; and (d) the excess of the fair value of aggregate assets of such company over the sum of the stated liabilities and identified contingent liabilities of such company plus the stated capital of such company, equals or exceeds and would equal or exceed the value of the assets transferred to stockholders of such company in the Spin Off Transactions.

In rendering its opinions, HLHZ made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances, including a review of G-I Holdings' annual reports and filings with the Commission, a review of material agreements, meetings with members of the senior management of GAF and its then subsidiaries (the 'GAF Group') to discuss operations, financial condition, future prospects and projected operations and performance, visits to certain facilities and business offices of the GAF Group, review of forecasts and projections prepared by management, and review of other publicly available financial data for G-I Holdings, BMCA and ISP and certain companies that HLHZ deems comparable to ISP Holdings.

HLHZ relied upon and assumed, without verification, that the financial forecasts and projections had been reasonably prepared and reflected the best currently available estimates of the future financial results and condition of

the GAF Group, and that there had been no material change in the assets, financial condition, business or prospects of the GAF Group since the date the most recent financial statements were made available to HLHZ. In addition, HLHZ relied upon and assumed, without verification, the accuracy of the stated amount of contingent liabilities identified to them and valued by GAF, including with respect to current and future asbestos claims and cash flows.

In addition, HLHZ did not independently verify the accuracy and completeness of the information supplied to it, and did not make any physical inspection or independent appraisal of any of the properties or assets of any member of the GAF Group. HLHZ's opinions were based on business, economic, market and other conditions as they existed and could be evaluated at the date its opinions were rendered.

GAF engaged HLHZ and paid HLHZ a fee of \$175,000 for services rendered in connection with the Spin Off Transactions, including services it has conducted to render its opinions.

THE ISP HOLDINGS TRANSACTIONS

THE TENDER OFFER

On October 18, 1996, ISP Holdings consummated the Tender Offer for all of the outstanding Discount Notes. Approximately 99% of the outstanding Discount Notes were tendered pursuant to the Tender Offer and approximately \$6.3 million in aggregate principal amount remain outstanding. All Discount Notes validly tendered and purchased in the Tender Offer, other than Discount Notes purchased by G-I Holdings from ISP Holdings, were contributed to G-I Holdings by ISP Holdings as a capital contribution in connection with the consummation of the Spin Off Transactions and cancelled by G-I Holdings. In connection with such offer to purchase, ISP Holdings obtained the consent of the tendering holders of the Discount Notes to the Discount Note Amendments which modified or eliminated certain of the restrictive covenants contained in the Discount Note Indenture, including those covenants that would have prohibited the Spin Off Transactions.

Concurrently with the consummation of the Tender Offer, ISP Holdings made the ISP Loan to ISP and G-I Holdings effected the Repurchase, the proceeds of which were used by ISP Holdings, together with the net proceeds of the 9% Note Offering (after giving effect to the ISP Loan), to consummate the Tender Offer and to pay expenses in connection with the ISP Holdings Transactions.

THE OLD EXCHANGE OFFER

On October 18, 1996, ISP Holdings consummated the Old Exchange Offer pursuant to which approximately 99% of the outstanding 10% Notes were tendered in exchange for the Old 9 3/4% Notes. In connection with such exchange offer, ISP Holdings obtained the consent of the tendering holders of the 10% Notes to the 10% Note Amendments, which modified or eliminated certain of the restrictive covenants contained in the 10% Note Indenture, including those covenants that would have prohibited the Spin Off Transactions. All 10% Notes validly tendered and accepted in the Old Exchange Offer were contributed to G-I Holdings by ISP Holdings as a capital contribution in connection with the consummation of the Spin Off Transactions and cancelled by G-I Holdings.

THE 9% NOTE OFFERING

On October 18, 1996, ISP Holdings issued and sold \$325 million in aggregate principal amount of the Old 9% Notes in the 9% Note Offering.

BUSINESS

ISP HOLDINGS

The business of ISP Holdings consists of owning approximately 83.5% of the issued and outstanding ISP Common Stock. The remaining 17% of the outstanding ISP Common Stock is publicly held and traded on the New York Stock Exchange. ISP Holdings was formed in 1996 in order to consummate the ISP Holdings Transactions. ISP Holdings is controlled by Samuel J. Heyman, Chairman and Chief Executive Officer of GAF, ISP Holdings, G-I Holdings, ISP and BMCA. Mr. Heyman also controls GAF and its subsidiaries. See 'Security Ownership of Certain Beneficial Owners and Management.'

ISP

ISP is a leading multinational manufacturer of specialty chemicals, mineral products, filter products and advanced materials.

ISP, incorporated in Delaware in 1991, operates its business exclusively through 19 domestic subsidiaries, including ISP Chemicals Inc., ISP Technologies Inc., ISP Van Dyk Inc. and ISP Fine Chemicals Inc., 36 international subsidiaries and GAF-Huls, the joint venture with Huls AG, in which ISP has a 50% interest.

SPECIALTY CHEMICALS

o Products and Markets. ISP manufactures more than 325 specialty chemicals having numerous applications in consumer and industrial products. ISP uses proprietary technology to convert various raw materials, through a chain of one or more processing steps, into increasingly complex and higher value added specialty products to meet specific customer requirements. More than 200 of ISP's specialty chemical products are derived from acetylene, including intermediates, solvents, vinyl ethers, and polymers, and sales of these products represent the majority of ISP's specialty chemical sales.

ISP's specialty chemicals consist of nine main groups of products: vinyl ether polymers, polyvinyl pyrrolidone polymers, solvents, intermediates, specialty preservatives, sunscreens, emollients, pearlescent pigments and fine chemicals.

Vinyl ether polymers are used by the cosmetics, personal care, pharmaceutical and health-related industries, primarily in hair care and dental care products. Vinyl ether monomers and oligomers are used in coatings and inks for both consumer and industrial products.

Polyvinyl pyrrolidone (PVP) polymers are used primarily in cosmetics, personal care, pharmaceutical and health-related products, food and beverages, and detergent formulations. Examples are drug and vitamin tablet binders and disintegrants; clarifiers and chill-hazing elimination agents for beer, wine and fruit juices; microbiocidal products for human and veterinary applications; hair care products such as hair sprays, mousses, conditioners, gels and glazes;

ingredients in water-resistant mascaras, sunscreens and lipsticks; specialty coatings, adhesives, ink jet inks and media for consumer and industrial applications; and dispersants and binders in agricultural chemical formulations.

Solvents are sold to customers for use in agricultural chemicals, pharmaceuticals, coatings, wire enamels, adhesives, plastics, electronics coating and cleaning applications, petroleum extraction and specialty cleaners. ISP's family of solvents includes, among others, N-methyl-2-pyrrolidone, gamma-butyrolactone, 2-pyrrolidone and tetrahydrofuran, many of which are used by ISP as raw materials in the manufacture of monomers and polymers.

Intermediates are manufactured primarily for use by ISP as raw materials in manufacturing solvents and polymers. Some intermediates are also sold to customers for use in the manufacture of engineering plastics and elastomers, agricultural chemicals, oil production auxiliaries and other products. Butanediol, an intermediate produced by ISP, is an essential raw material in the manufacture of polybutylene terephthalate ('PBT') thermoplastic resins and polyurethane elastomers, which are used in the automotive, electronics and appliance industries.

Specialty preservatives are proprietary products that are marketed worldwide to the cosmetics, personal care and household industries. ISP sells a number of preservative products, including Germall(Registered) 115, Germall(Registered) II, Germaben(Registered) II, Germaben (Registered) II-E, Suttocide(Registered) A and LiquaPar(Registered) Oil. Uses include infant care preparations, eye and facial makeup, after-shave and nail, bath, hair and skin preparations.

ISP Van Dyk Inc. produces three multifunctional specialty chemical product lines which ISP markets primarily to the cosmetics and personal care industry--ultraviolet absorber chemicals, the principal active ingredients in sunscreens; pearlescent pigments, which provide the pearly or lustrous color in lipsticks, eye shadows and other cosmetics; and emollients and emulsifiers, which are used as moisturizing and softening agents in a variety of creams and lotions, hair care products and other cosmetics. ISP Van Dyk's Escalol(Registered), Pearl-Glo(Registered) and Ceraphyl(Registered) products are widely recognized for their respective sunscreen, pigment and emollient properties.

ISP Fine Chemicals Inc. produces a broad range of pharmaceutical intermediates, biological buffers, pheromones and several bulk active pharmaceuticals which serve the pharmaceutical, biotechnology, agricultural and chemical process industries. Fine chemicals are extremely specialized products, made in small quantities, which because of their complexity can be priced at several hundred to several thousand dollars per kilogram. ISP Fine Chemicals Inc. also provides a custom manufacturing capability serving the pharmaceutical, biotechnology, agricultural and chemical process industries.

o Marketing and Sales. ISP markets its specialty chemicals through a worldwide marketing and sales force, typically chemists or chemical engineers, who work closely with ISP's customers to familiarize themselves with their customers' products, manufacturing processes and markets. ISP conducts its

marketing and domestic sales from ISP's headquarters in Wayne, New Jersey and regional offices strategically located throughout the United States.

o International Operations. ISP markets all of its specialty chemicals worldwide. ISP conducts its international operations through 36 subsidiaries and 43 sales offices located in Western and Eastern Europe, Canada, Latin America and the Asia-Pacific region. Services of local distributors are also used to reach markets that might otherwise be unavailable to ISP.

ISP had in excess of 60% of its international sales in 1995 in countries in Western Europe and Japan which are subject to currency exchange rate fluctuation risks. For a discussion of the Company's policy regarding the management of these risks, see 'Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Financial Condition.' Other countries in which the Company has sales are subject to additional risks, including high rates of inflation, exchange controls, government expropriation and general instability.

International sales in 1995 of ISP's specialty chemicals, excluding sales by GAF-Huls, were approximately 45% of ISP's total 1995 sales. GAF-Huls, a joint venture in which ISP holds a 50% interest, produces certain intermediates and solvents. The GAF-Huls plant is located in Marl, Germany.

o Raw Materials. Because of the multi-step processes required to manufacture ISP's specialty chemicals, ISP believes that its raw material costs represent a smaller percentage of the cost of goods sold than for most other chemical companies. It is estimated that approximately one-third of ISP's manufacturing costs are for raw materials (including energy and packaging). As a result, fluctuations in the pricing of raw materials have less impact on ISP than on those chemical companies for which raw materials costs represent a larger percent of manufacturing costs.

The principal raw materials used in the manufacture of ISP's specialty chemicals are acetylene, methanol and methylamine. Most of these raw materials are obtained from outside sources pursuant to long-term supply agreements. Acetylene, a significant raw material used in the production of most of ISP's specialty chemicals, is obtained by ISP for domestic use from two unaffiliated suppliers pursuant to long-term supply contracts. At ISP's Texas City and Seadrift, Texas plants, acetylene is supplied via pipeline by a neighboring large multinational company that generates this raw material as a by-product from ethylene manufacture. At ISP's Calvert City, Kentucky facility, acetylene is supplied via pipeline by a neighboring company that generates it from calcium carbide. The acetylene utilized by GAF-Huls is produced by Huls AG, using a proprietary electric arc process, sourced from various hydrocarbon feedstocks. ISP believes that this diversity of supply sources, using a number

of production technologies (ethylene by-product, calcium carbide and electric arc), provides the Company with a reliable supply of acetylene. In the event of a substantial interruption in the supply of acetylene from current sources, no assurances can be made that ISP would be able to obtain as much acetylene from other sources as would be necessary to meet its supply requirements. ISP has a long-standing agreement with GAF-Huls to import

butanediol into the United States for use as a feedstock for the production of ISP's solvents and polymers. ISP has not experienced an interruption of its acetylene supply that has had a material adverse effect on its sales of specialty chemicals. With regard to raw materials other than acetylene, ISP believes that in the event of a supply interruption it could obtain adequate supplies from alternate sources.

Natural gas and raw materials derived from petroleum are used in many of ISP's manufacturing processes and, consequently, the price and availability of petroleum and natural gas could be material to ISP's operations. During 1995, crude oil and natural gas supplies remained ample, while prices demonstrated small seasonal and weather-related variations. The same was true for petroleum-derived raw materials during the first nine months of 1996. While there were significant price increases for natural gas in January 1996 due to increased demand as a result of harsh weather conditions, pricing eased in the following months.

Methanol, which, due to a shortage of supply, experienced a substantial increase in price in the latter half of 1994 and the first half of 1995, experienced a significant decline in price in the second half of 1995 (to levels below the lowest prices encountered in 1994), as a result of increases in capacity by methanol suppliers. During the first nine months of 1996, methanol availability remained ample and prices remained relatively constant and in line with prices encountered during the second half of 1995. Due to the substantial increases in methanol capacity, ISP believes, although there can be no assurance, that the market conditions which caused the sudden rise in methanol prices will not reoccur in the near future.

o Strategy. ISP's strategy for future growth involves (i) the introduction of new products and the development of new applications for existing products, (ii) geographic expansion and penetration of new markets and (iii) the selected acquisition of businesses which complement ISP's existing businesses.

ISP continued in 1995 its emphasis on the development of new products and new applications for existing products. ISP expanded the development of its broad product line for the hair care industry, where it believes there are attractive opportunities for environmentally-friendly chemicals. In this regard, ISP has been involved over the past several years in an intensive effort to tailor its family of products for the hair care industry so as to enable its customers to meet stringent regulatory requirements mandating reduction of volatile organic compounds ('VOCs'), while at the same time improving the performance characteristics of these products in order to satisfy consumer preferences. To this end, ISP has introduced since the beginning of 1994 a number of new products for the hair care industry, including the following:

Gantrez(Registered) A-425, a hair spray polymer whose molecular weight has been optimized in order to allow manufacturers to satisfy 80% VOC requirements while enhancing the performance characteristics of ISP's current Gantrez(Registered) products and providing for formulations covering a wide range of desired properties from natural to stiff feel, so as to appeal to different consumer styles which tend to vary from one region of the world to another; Gafquat(Registered) HSi and PVP/Si-10 encapsulated silicone products, which combine ISP's Gafquat(Registered) and PVP products with silicone to provide a silky feel for use in hair conditioners, shampoos and mousses; and H2OLD (Trademark) EP-1, a versatile polymer for use in low VOC or alcohol-free

formulations for hair sprays, mousses and gels and designed so as to satisfy a preference on the part of certain consumers. ISP also introduced the next generation of its successful Gafquat(Registered) product, a hair styling conditioner that provides improved holding characteristics, especially at high humidity levels. In addition, ISP has recently introduced and began selling in 1996 a new hair protectant product, Escalol (Registered)HP-610, which helps protect hair from the damaging effects of the sun.

In addition to new products for the hair care industry, ISP has introduced since the beginning of 1994 a number of other new products for use in the cosmetics, skin care, household, industrial and institutional cleaner, agricultural and oil and gas industries, examples of which include the following: Stabileze(Registered) QM, a quick mix viscosity enhancing polymer that provides desired controlled thickening properties in skin and hair care formulations; PVP K-30A, a cosmetic grade PVP specifically designed for skin care use in mascara and eye liners; Cerasynt (Registered) IP-V and Cerasynt(Registered) SD-V, vegetable-based emulsifiers for hair and skin care; a family of PVP anionic copolymers with applications in a variety of personal care, specialty industrial coatings, and household, industrial and institutional cleaner uses; and a family of agricultural adjuvant products, utilizing ISP's new

proprietary microemulsion technology which provide pesticides, herbicides, fungicides and other related agricultural chemicals with greater adherence, thereby improving performance and reducing environmental risk.

ISP has also focused its research and development efforts on the improvement of manufacturing efficiency at its plants. The efforts to increase productivity, reduce waste and inefficiency and improve the overall quality of ISP's manufacturing operations have yielded increased manufacturing capacity with minimal capital investment, while providing for manufacturing cost savings.

ISP's specialty chemicals business has continued its emphasis on increased geographic penetration, with particular focus on the Asia-Pacific and Latin American regions. In order to further the geographic expansion of its specialty chemicals business, ISP has opened since the beginning of 1994 new sales and marketing operations, and/or added to its existing presence where it could increase market penetration, in more locations than in any comparable period in the history of its business, with operations having been opened or substantially augmented in Beijing, Chengdu, Shanghai and Guangzhou, China; Moscow; Buenos Aires; Bombay; Warsaw; Bangkok and Jakarta. ISP is increasing its geographic penetration throughout the world not only with the opening of sales and marketing operations, but also as a result of the increased specialization of its sales force along industry lines, the hiring of additional technical staff to assist ISP's sales force, and a substantial increase in sales staff.

In addition, ISP's strategy is to acquire niche businesses with characteristics similar to ISP's, involving high value-added products, significant market shares and barriers to entry, and product lines which complement ISP's own products. Furthermore, the acquired product lines can be expanded by use of ISP's technology, marketing expertise and worldwide distribution network.

MINERAL PRODUCTS

o Products and Markets. ISP manufactures mineral products consisting of ceramic-coated colored roofing granules, which are produced from rock deposits that are mined and crushed at ISP's quarries and are colored and coated using a proprietary process. ISP's mineral roofing granules are sold primarily to the North American roofing industry for use in the manufacture of asphalt roofing shingles, for which they provide weather resistance, decorative coloring, heat deflection and increased weight. ISP is the second largest of only two major suppliers of colored roofing granules in North America, the other being Minnesota Mining & Manufacturing Company. ISP also markets granule by-products for use in the construction and maintenance of fast dry, clay-like tennis courts.

ISP estimates that more than 80% of the asphalt shingles currently produced by the roofing industry are sold for the reroofing/replacement market, in which demand is driven not by the pace of new home construction but by the needs of homeowners to replace existing roofs. Homeowners generally replace their roofs either because they are worn, thereby creating concerns as to weather-tightness, or because of the homeowners' desire to upgrade the appearance of their homes. ISP estimates that the balance of the roofing industry's asphalt shingle production historically has been sold primarily for use in new housing construction. Sales of ISP's colored mineral granules have benefitted from a trend toward the increased use of heavyweight, three-dimensional laminated roofing shingles which results in both functional and aesthetic improvements, which require, on average, approximately 60% more granules than traditional three-tab, lightweight roofing shingles.

o Marketing and Sales. BMCA purchases 100% of its colored roofing granule requirements from ISP (except for the requirements of its California roofing plant which are supplied by a third party). These purchases constituted approximately one-half of ISP's mineral products net sales in 1995. Sales to BMCA were made under a requirements contract which was renewed for one year effective January 1, 1997 and is subject to annual renewal unless terminated by BMCA or ISP. In addition, in December 1995, USI commenced purchasing substantially all of its requirements for colored roofing granules from ISP (except for the requirements of its Stockton, California and Corvallis, Oregon plants which are supplied by a third party) pursuant to a requirements contract which expires December 31, 1997. See 'Certain Relationships.'

o Raw Materials. ISP owns rock deposits that have specific performance characteristics, including weatherability, the ability to reflect UV light, abrasion-resistance, non-staining characteristics and the ability to absorb pigments. ISP owns three quarries, each with proven reserves, based on current production levels, of more than 20 years.

FILTER PRODUCTS AND ADVANCED MATERIALS

ISP manufactures and sells filter products, consisting of pressure filter vessels, filter bags and filter systems, and sells cartridges and cartridge housings. These filter products are designed for the removal of macroscopic contaminants in the treatment of process liquids, with the paint, automotive, chemical, pharmaceutical, petroleum and food and beverage industries accounting for more than 90% of ISP's 1995 net sales of filter products.

ISP manufactures pressure filter vessels at manufacturing facilities in Brazil, Canada and Germany, which serve both local and international markets. ISP also manufactures filter bags in Belgium, Canada, Singapore, Brazil and the United States and supplies filter products worldwide through its subsidiaries, sales offices and distributors.

ISP manufactures a variety of advanced materials, consisting of high-purity carbonyl iron powders, sold under ISP's trademark Micropowder (Trademark), used in a variety of advanced technology applications for the aerospace and defense, electronics, powder metallurgy, pharmaceutical and food industries. Using proprietary technology, ISP manufactures more than 50 different grades of Micropowder (Trademark) iron, one of which is sold under the trademark Ferronyl(Registered), for use as a vitamin supplement.

The primary markets for ISP's Micropowder(Trademark) are the domestic defense industry, which employs these products in a variety of coating systems for stealth purposes in aircraft and naval ships, and the emerging metal injection molding segment of the powder metallurgy industry. ISP is the sole domestic manufacturer of carbonyl iron powders.

ISP manufactures a line of processless, electronically imaged film products including Rad-Sure(Registered), which is a radiation sensitive film strip affixed to blood bags to indicate whether or not they have been properly irradiated.

COMPETITION

ISP believes that it is either the first or second largest seller worldwide of its specialty chemicals derived from acetylene other than butanediol and tetrahydrofuran. Butanediol, which ISP produces primarily for use as a raw material, is also manufactured by a limited number of companies in the United States, Germany, Japan and Korea. Tetrahydrofuran is manufactured by a number of companies throughout the world. While there are companies, other than ISP and its principal competitor, that manufacture a limited number of ISP's other specialty chemicals, the market position of these companies is much smaller than that of ISP (other than as to solvents and intermediates, with respect to which there is a significant third competitor). In addition to ISP's competition as noted above, there are other companies that produce substitutable products for a number of ISP's specialty chemicals. These companies compete with ISP in the personal care, pharmaceutical, beverage preservative and industrial markets and have the effect of limiting ISP's market penetration and pricing flexibility.

Beginning in 1994, ISP experienced a dramatic improvement in the severe competitive conditions which had adversely affected ISP's intermediates and

solvents business during the three preceding years as a result of an additional competitor having entered the market in 1991. As a result of improved worldwide demand for ISP's intermediates and solvents products coming principally, with respect to intermediates, from PBT engineering plastic producers for an increasingly wide range of both automotive and electrical component applications and, with respect to solvents, from increased demand for a number of existing and new applications, together with a regulatory and customer-driven trend to replace chlorinated and other volatile solvents with ISP's safer solvent, N-methyl-2-pyrrolidone ('NMP'), industry-wide capacity utilization rates for these products substantially increased in 1994, 1995 and 1996. As a result, while butanediol ('B1D') and NMP prices had declined fairly substantially from the beginning of 1992 to mid-1994, higher capacity utilization rates, together with substantial price increases of methanol, enabled ISP to implement worldwide price increases in 1994 and 1995, establishing B1D prices at levels higher than in the recent past and reversing a significant portion of the previous decline in NMP prices. Future competitive conditions will depend in large measure on future worldwide demand for ISP's customers' end-use products and the impact of the anticipated entrance of a new competitor in the B1D and NMP European markets in 1997.

With regard to its mineral products, ISP has only one major and one smaller competitor and believes that competition has been limited by: (i) the substantial capital expenditures associated with the construction of new

mineral processing and coloring plants and the acquisition of suitable rock reserves; (ii) the limited availability of proven rock sources; (iii) the complexity associated with the construction of a mineral processing and coloring plant, together with the technical know-how required to operate such a plant;

(iv) the need to obtain, prior to commencing operations, reliable data over a substantial period of time regarding the weathering of granules in order to assure the quality and durability of the product; and (v) the difficulty in obtaining the necessary permits to mine and operate a quarry.

With respect to filter products, ISP competes with a number of companies worldwide. With respect to advanced materials, ISP is the sole domestic manufacturer of carbonyl iron powders and one of only two manufacturers worldwide.

Competition is largely based upon product and service quality, technology, distribution capability and price. ISP believes that it is well positioned in the marketplace as a result of its broad product lines, sophisticated technology and worldwide distribution network.

RESEARCH AND DEVELOPMENT

ISP's worldwide research and development expenditures were \$21.2 million, \$20.3 million and \$21.9 million in 1993, 1994 and 1995, respectively.

ISP's research and development department is located primarily at ISP's worldwide technical center and laboratories in Wayne, New Jersey and additional research and development is conducted at the Calvert City, Kentucky, Texas City, Texas, Chatham, New Jersey, Belleville, New Jersey, and Columbus, Ohio plant

sites and technical centers in the United Kingdom, Germany, China and Singapore. ISP's mineral products research and development facility, together with its recently opened customer design and color center, is located at Hagerstown, Maryland.

ENVIRONMENTAL SERVICES

ISP has received conditional site designation for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property. If ISP is successful in securing the site designation and the necessary permits to construct and operate the hazardous waste facility, ISP intends to develop and operate the facility in a separate subsidiary, either on its own or in a joint venture with a suitable partner. ISP estimates that the cost of constructing the facility will be approximately \$100 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. ISP anticipates utilizing internally generated cash and/or seeking project or other independent financing.

PROPERTIES

The corporate headquarters and principal research and development laboratories of ISP are located at a 100-acre campus-like office and research park owned by a subsidiary of ISP at 1361 Alps Road, Wayne, New Jersey 07470. The premises are subject to a first mortgage. ISP Holdings maintains its principal office at 818 Washington Street, Wilmington, Delaware 19801, telephone (302) 428-0847.

The principal domestic and foreign real properties either owned by, or leased to, ISP are described below. Unless otherwise indicated, the properties are owned in fee. In addition to the principal facilities listed below, ISP maintains sales offices and warehouses in the United States and abroad, substantially all of which are in leased premises under relatively short-term leases.

ISP Holdings does not directly own or lease any real property.

LOCATION	FACILITY	PRODUCT LINE

DOMESTIC		
Alabama		
Huntsville.....	Plant*	Advanced Materials
Kentucky		
Calvert City.....	Plant	Specialty Chemicals
Maryland		
Hagerstown.....	Research Center, Design Center, Sales Office	Mineral Products
Missouri		
Annapolis.....	Plant, Quarry	Mineral Products
New Jersey		
Belleville.....	Plant, Sales Office, Research Center, Warehouse*	Specialty Chemicals
Bridgewater.....	Sales Office	Specialty Chemicals
Chatham.....	Plant, Sales Office, Research Center, Warehouse*	Specialty Chemicals
Wayne.....	Headquarters, Corporate Administrative Offices, Research Center	Specialty Chemicals; Filter Products and Advanced Materials
Ohio		
Columbus.....	Plant, Sales Office	Fine Chemicals
Pennsylvania		
Blue Ridge Summit.....	Plant, Quarry	Mineral Products
Tennessee		
Memphis.....	Plant*, Warehouse*, Distribution Center*	Filter Products
Texas		
Seadrift.....	Plant	Specialty Chemicals
Texas City.....	Plant	Specialty Chemicals
Wisconsin		
Pembine.....	Plant, Quarry	Mineral Products
INTERNATIONAL		
Belgium		
Sint-Niklaas.....	Plant, Sales Office, Distribution Center	Specialty Chemicals and Filter Products
Brazil		
Sao Paulo.....	Plant*, Sales Office*, Distribution Center*	Specialty Chemicals and Filter Products
Canada		
Mississauga, Ontario.....	Plant*, Sales Office*, Distribution Center*	Specialty Chemicals
Oakville, Ontario.....	Plant*	Filter Products
Germany		
Hamburg.....	Plant*	Filter Products
Great Britain		
Guildford.....	European Headquarters*, Research Center*	Specialty Chemicals

LOCATION	FACILITY	PRODUCT LINE
India		
Nagpur.....	Plant	Specialty Chemicals
Singapore		
Southpoint.....	Plant*, Sales Office*, Distribution Center*, Asia-Pacific Headquarters*, Warehouse*	Specialty Chemicals and Filter Products
Affiliate:		
GAF-Huls Chemie GmbH Marl,	Plant, Sales Office	Specialty Chemicals
Germany.....		

* Leased Property

The Company believes that its subsidiaries plants and facilities, which are of varying ages and are of different construction types, have been satisfactorily maintained, are in good condition, are suitable for their respective operations and generally provide sufficient capacity to meet production requirements. Each plant has adequate transportation facilities for both raw materials and finished products. In 1995, the Company made capital expenditures in the amount of \$38.3 million relating to plant, property and equipment.

PATENTS AND TRADEMARKS

ISP owns approximately 313 domestic and 123 foreign patents and owns or licenses approximately 118 domestic and 1,350 foreign trademark registrations related to the business of ISP. The Company does not believe that any single patent, patent application or trademark is material to ISP's business or operations.

The Company believes that the duration of the existing patents and patent licenses is satisfactory.

ENVIRONMENTAL COMPLIANCE

Since 1970, a wide variety of federal, state and local environmental laws and regulations relating to environmental matters (the 'Regulations') have been adopted and amended. By reason of the nature of the operations of the Company and its predecessor and certain of the substances that are, or have been used, produced or discharged at their plants or at other locations, the Company is affected by the Regulations. The Company has made capital expenditures of less than \$3.8 million in each of the last three years in order to comply with the Regulations (which expenditures are included in additions to property, plant and equipment) and anticipates that aggregate capital expenditures relating to environmental compliance in 1996 and 1997 will be approximately \$3.4 million and \$3.5 million, respectively.

The Regulations deal with air and water emissions or discharges into the environment, as well as the generation, storage, treatment, transportation and disposal of solid and hazardous waste, and the remediation of any releases of hazardous substances and materials to the environment. The Company believes that its manufacturing facilities comply in all material respects with applicable Regulations, and, while it cannot predict whether more burdensome requirements will be adopted in the future, it believes that any potential liability for compliance with the Regulations will not materially affect its business, liquidity, results of operations, cash flows or financial position.

The Company believes that its manufacturing facilities are being operated in compliance in all material respects with applicable environmental, health and

safety laws and regulations but cannot predict whether more burdensome requirements will be imposed by governmental authorities in the future.

ENVIRONMENTAL LITIGATION

The Company, together with other companies, is a party to a variety of proceedings and lawsuits involving environmental matters ('Environmental Claims') under the Comprehensive Environmental Response Compensation and Liability Act ('CERCLA') and similar state laws, in which recovery is sought for the cost of cleanup of contaminated sites, a number of which are in the early stages or have been dormant for protracted periods.

The Company estimates that its liability in respect of all Environmental Claims, and certain other environmental compliance expenses, as of September 29, 1996, after giving effect to the Transactions will be \$17.4 million, before reduction for insurance recoveries reflected on its balance sheet (discussed below) of \$6.9 million ('estimated recoveries'). In the opinion of management, the resolution of such matters should not be material to the business, liquidity, results of operations, cash flows or financial position of the Company. However, adverse decisions or events, particularly as to the liability and the financial responsibility of the Company's insurers and of the other parties involved at each site and their insurers, could cause the Company to increase its estimate of its liability in respect of such matters. It is not currently possible to estimate the amount or range of any additional liability.

After considering the relevant legal issues and other pertinent factors, the Company believes that it will receive the estimated recoveries and it may receive amounts substantially in excess thereof. The Company believes it is entitled to substantially full defense and indemnity under its insurance policies for most Environmental Claims, although the Company's insurers have not affirmed a legal obligation under the policies to provide indemnity for such claims.

The estimated recoveries are based in part upon interim agreements with certain insurers. The Company terminated these agreements in 1995 and on March 8, 1995 commenced litigation in the United States District Court for the District of New Jersey seeking amounts substantially in excess of the estimated recoveries. While the Company believes that its claims are meritorious, there can be no assurance that the Company will prevail in its efforts to obtain amounts equal to, or in excess of, the estimated recoveries.

In June 1989, ISP entered into a Consent Order with the New Jersey Department of Environmental Protection ('NJDEP') requiring the development of a remediation plan for its closed Linden, New Jersey plant and the maintenance of financial assurances (currently \$7.5 million) to guarantee ISP's performance. In April 1993, NJDEP issued orders which require the prevention of discharge of contaminated groundwater and stormwater from the site and the elimination of other potential exposure concerns. ISP believes, although there can be no assurance, that, taking into account its plans for development of the site, it can comply with the NJDEP order at a cost of no more than \$7.5 million (in

connection with which ISP anticipates insurance recoveries of approximately \$5 million). See '--Environmental Services.'

Pursuant to an Order dated September 28, 1990 issued by the United States Environmental Protection Agency (the 'EPA'), over 100 potentially responsible parties, including the Company, have agreed to participate in the remediation of a contaminated waste disposal site in Carlstadt, New Jersey. The EPA is evaluating final remedies for the site. Total cleanup costs are unknown but the Company estimates, based on information currently available to it, that the insurance described above will cover a substantial portion of the Company's share of such costs.

EMPLOYEES

ISP Holdings has no employees other than its officers.

At September 29, 1996, ISP Holdings and its subsidiaries employed approximately 2,700 people worldwide and approximately 700 employees in the United States and Canada were subject to 6 union contracts. The Company does not expect to renegotiate any additional labor contracts during the remainder of 1996. The Company believes that its relations with its employees and their unions are satisfactory.

The Company has in effect various benefit plans, which include a non-qualified retirement plan for a group of executives, a capital accumulation plan for its salaried and certain hourly employees, a flexible benefit plan for its salaried employees, a retirement plan for certain of its hourly employees, and group insurance agreements providing life, accidental death, disability, hospital, surgical, medical and dental coverage. In addition, the Company has contracted with various health maintenance organizations to provide medical benefits. The Company and, in many cases, its employees contribute to the cost of these plans.

MANAGEMENT

The following table sets forth the name, age, position and other information with respect to the directors and executive officers of ISP Holdings. Each person listed below is a citizen of the United States.

NAME AND POSITION HELD(1)	AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
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Samuel J. Heyman Director, Chairman and Chief Executive Officer.....	57	Mr. Heyman has been a director and Chairman and Chief Executive Officer of ISP Holdings since its formation, of G-I Holdings since August 1988 and of GAF, G Industries and certain of its subsidiaries since April 1989, prior to which he held the same position with the predecessor to GAF (the 'Predecessor Company') from December 1983 to April 1989. Mr. Heyman has been Chairman and Chief Executive Officer of ISP, and has been a director and Chairman of BMCA, since their respective formations. Mr. Heyman has been a director of USI since October 1995 and Chief Executive Officer of BMCA since June 1996. He is also the Chief Executive Officer, Manager and General Partner of a number of closely held real estate development companies and partnerships whose investments include commercial real estate and a portfolio of publicly traded securities.
Peter R. Heinze President and Chief Operating Officer, International Specialty Products Inc.....	55	Dr. Heinze has been President, Chief Operating Officer and a Director of ISP since November 1996. He was Senior Vice President, Chemicals of PPG Industries, Inc. from April 1993 to November 1996 and Group Vice President, Chemicals of PPG Industries, Inc. from August 1992 to April 1993. From January 1988 to August 1992, Dr. Heinze was President, Chemicals Division, and an Executive Vice President of BASF Corporation.
Carl R. Eckardt Executive Vice President.....	65	Mr. Eckardt has been Executive Vice President of ISP Holdings since its formation. He has been Vice Chairman of GAF since November 1996 and a director of GAF since April 1987. He was Executive Vice President of GAF from April 1989 to November 1996 and held the same position with the Predecessor Company from January 1987 to April 1989. He was President and Chief Operating Officer of ISP from January 1994 to November 1996 and was Executive Vice President of ISP from its formation to January 1994 and has served as such since November 1996. Mr. Eckardt has been

NAME AND POSITION HELD(1)	AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
		Executive Vice President of G-I Holdings since March 1993. Mr. Eckardt was President of GCC and the Predecessor Company's chemicals division from 1985 to 1987. Mr. Eckardt was a Senior Vice President Worldwide Chemicals and Senior Vice President International Chemicals of the Predecessor Company from 1982 to 1985 and 1981 to 1982, respectively. Mr. Eckardt joined the Predecessor Company in 1974.
James P. Rogers Executive Vice President and Chief Financial Officer.....	45	Mr. Rogers has been Executive Vice President and Chief Financial Officer of ISP Holdings, G-I Holdings, GAF and certain of its subsidiaries, Executive Vice President of BMCA and Executive Vice President-Finance of ISP since December 1996. He was Senior Vice President of such corporations from November 1993 to December 1996 and of BMCA from its formation to December 1996. Mr. Rogers has been a director and Senior Vice President of USI since October 1995. Mr. Rogers has served as Treasurer of G-I Holdings, GAF and certain of its subsidiaries since March 1992 and was Vice President-Finance of such corporations from March 1992 to October 1993. He was Treasurer of ISP from March 1992 to December 1994 and from September 1995 to December 1996. From August 1987 to March 1992, Mr. Rogers was Treasurer of Amphenol Corporation, a manufacturer of electronic connectors.
Richard A. Weinberg Senior Vice President and General Counsel.....	37	Mr. Weinberg has been Senior Vice President and General Counsel of ISP Holdings since its formation, and of GAF, G-I Holdings, ISP, BMCA and certain of their subsidiaries since May 1996. He was Vice President and General Counsel of BMCA from September 1994 to May 1996, Vice President Law of BMCA from May 1994 to September 1994 and Vice President Law of GAFBMC from April 1993 to May 1994. Mr. Weinberg was employed by Reliance Group Holdings Inc., a diversified insurance holding company, as Staff Counsel from October 1987 to January 1990 and as Assistant Vice President and Corporate Counsel from January 1990 to April 1993.
Louis S. Goldberg Senior Vice President, Corporate Human Resources.....	59	Mr. Goldberg has been Senior Vice President, Corporate Human Resources of ISP Holdings since

NAME AND POSITION HELD (1)	AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
-----	-----	<p>its formation and of GAF and G-I Holdings and certain of their subsidiaries since July 1996. He has served as Senior Vice President, Headquarters Administrative Services of ISP since July 1996. From January 1996 to July 1996, Mr. Goldberg served as a senior consultant to GAF. From January 1995 to January 1996, he was Commissioner of the Department of Administrative Services for the State of Connecticut, and from January 1991 to December 1993 he served as Connecticut's Commissioner of the Department of Motor Vehicles. From September 1989 to December 1990, he was Senior Vice President of Staub, Warmbold & Associates. From August 1984 to April 1989 he was Vice President-Human Resources of Playtex, Inc. and from February 1977 to January 1984 he was Vice President Administration/Human Resources of The Seagram Company Ltd.</p>

(1) Under ISP Holdings' By-laws, each director and executive officer continues in office until ISP Holdings' next annual meeting of stockholders and until his or her successor is elected and qualified.

EXECUTIVE COMPENSATION

No compensation is paid to officers or directors of ISP Holdings for their services in such capacity.

SUMMARY COMPENSATION TABLE

The following table sets forth the cash and noncash compensation for each of the last three fiscal years awarded to or earned by the Chief Executive Officer of ISP Holdings and the four other most highly compensated executive officers of ISP Holdings who were employed in such capacity as of December 31, 1995.

NAME AND PRINCIPAL POSITION (1)	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		ALL OTHER COMPENSATION
		SALARY	BONUS (2)	OTHER ANNUAL COMPENSATION	SECURITIES UNDERLYING OPTIONS/SARS (4)		
Samuel J. Heyman.....	1995	\$553,666	\$200,000	0	150,000 (O)		\$ 9,848 (3)
Chairman of the Board of Directors	1994	394,792	0	0	0		23,665 (3)
and Chief Executive Officer	1993	464,792	0	0	0		12,750 (3)
Carl R. Eckardt.....	1995	325,500	300,000	0	41,600		10,095 (3)
President and Chief Operating Officer, ISP	1994	312,084	300,000	0	45,240 (O)		15,440 (3)
	1993	269,583	100,000	0	0		8,064 (3)
Mark A. Buckstein(5).....	1995	321,563	135,000	0	35,700 (O)		17,920 (5)
Executive Vice President, General Counsel and Secretary	1994	306,250	185,000	\$ 60,289 (5)	2,993 (S)		24,430 (5)
	1993	125,000 (5)	65,000 (5)	35,000 (5)	30,000 (O) / 6,255 (S)		4,685 (5)
James P. Rogers.....	1995	248,333	225,000	0	38,300 (O)		13,154 (6)
Senior Vice President and Chief Financial Officer	1994	224,167	200,000	0	15,000 (O)		18,025 (6)
	1993	194,167	200,000	0	15,000 (O) / 9,319 (S)		21,903 (6)
James J. Strupp.....	1995	204,667	47,500	5,055	14,000 (O)		3,766 (7)
Senior Vice President, Human Resources	1994	188,542	37,500	4,079	15,180 (O) / 3,026 (S)		7,746 (7)
	1993	167,292	25,000	3,848	17,123 (O) / 6,202 (S)		5,537 (7)

(1) ISP paid the compensation to each of such named executive officers. The SARs were granted by GAF.

(2) Bonus amounts are payable pursuant to ISP's Executive Incentive Compensation Programs.

(3) Included in these amounts for Mr. Heyman are: \$8,598, \$22,415 and \$11,000 for the premium paid by the Company for a life insurance policy in 1995,

1994 and 1993, respectively; and \$1,250, \$1,250 and \$1,750 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively. Included in these amounts for Mr. Eckardt are: \$8,845, \$14,190 and \$6,314 for the premium paid by G-I Holdings for a life insurance policy in 1995, 1994 and 1993, respectively; and \$1,250, \$1,250 and \$1,750 for the premiums paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

(4) The options (O) are for shares of ISP Common Stock and the stock appreciation rights (S) relate to shares of GAF common stock. See 'Options and Stock Appreciation Rights.'

(5) Mr. Buckstein commenced employment as Executive Vice President, General Counsel and Secretary on August 1, 1993 and retired from the Company on May 15, 1996. Included in 'Other Annual Compensation' for Mr. Buckstein are \$31,398 in payment of moving related expenses and a 'tax gross-up' of \$21,440 in 1994 and \$35,000 in payment of moving related expenses in 1993, all in connection with Mr. Buckstein's move following his joining the Company. Included in 'All Other Compensation' for Mr. Buckstein are: \$11,000 and \$11,000, representing the Company's contribution under the GAF Capital Accumulation Plan in 1995 and 1994, respectively; \$5,670, \$12,180 and \$2,935 for the premium paid by G-I Holdings for a life

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insurance policy in 1995, 1994 and 1993, respectively; and \$1,250, \$1,250 and \$1,750 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

(6) Included in these amounts for Mr. Rogers are \$10,963, \$10,750 and \$16,040, representing the Company's contribution under the GAF Capital Accumulation Plan in 1995, 1994 and 1993, respectively; \$978, \$6,125 and \$4,504 for the premium paid by the Company for a life insurance policy in 1995, 1994 and 1993, respectively; and \$1,213, \$1,150 and \$1,359 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

(7) Included in these amounts for Mr. Strupp are \$500, \$500 and \$500, representing the Company's contribution under the GAF Capital Accumulation Plan in 1995, 1994 and 1993, respectively; \$2,266, \$6,383 and \$3,866 for the premium paid by the Company for a life insurance policy in 1995, 1994 and 1993, respectively; and \$1,000, \$863 and \$1,171 for the premium paid by the Company for a long-term disability policy in 1995, 1994 and 1993, respectively.

OPTIONS AND STOCK APPRECIATION RIGHTS

The following tables summarize grants of options to acquire ISP Common Stock granted during 1995 to the executive officers named in the Summary Compensation Table above and the potential realizable value of such options and stock appreciation rights ('SARs') relating to GAF common stock held by such

persons. No SARs were granted to, and no options or SARs were exercised by, such persons in 1995.

ISP COMMON STOCK OPTION GRANTS IN 1995

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (0)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1995	EXERCISE/ BASE PRICE (\$/SHARE)	MARKET PRICE ON DATE OF GRANT	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM	
						5%	10%
Samuel J. Heyman.....	150,000 (2)	11.07%	\$ 7.000	\$ 7.000	2/27/04	\$578,850	\$1,425,900
Carl R. Eckardt.....	41,600 (3)	3.07%	8.625	8.625	7/10/04	197,808	487,219
Mark A. Buckstein.....	35,700 (3)	2.63%	8.625	8.625	7/10/04	169,754	418,118
James P. Rogers.....	25,800 (4)	1.90%	8.625	8.625	7/10/04	122,679	302,170
	12,500 (4)	0.92%	5.875	10.875	12/31/01	108,732	167,384
James J. Strupp.....	14,000 (3)	1.03%	8.625	8.625	7/10/04	66,570	163,968

(1) Options were granted under the ISP 1991 Incentive Plan for Key Employees and Directors, as amended (the '1991 Incentive Plan'). Each option becomes vested as to 20%, 40%, 60%, 80% and 100% of the shares subject thereto on each of the first through the fifth anniversaries of the date of grant, respectively, and, to the extent vested, is exercisable for 9 years from the date of grant, except for options granted to Mr. Rogers for 12,500 shares which will become fully vested 2 1/2 years after the date of grant, and, to the extent vested, are exercisable for 6 years from the date of grant. The Compensation and Pension Committee of the Board of Directors of ISP may, on a case by case basis, accelerate the vesting of unvested options in the event of a 'Change in Control' (as defined). The consummation of the Transactions did not result in a Change in Control under the 1991 Incentive Plan.

(2) Mr. Heyman's ISP options were granted on February 27, 1995 and became or will become exercisable as to 30,000 shares on each of February 27, 1996, 1997, 1998, 1999 and 2000.

(3) Mr. Eckardt's, Mr. Buckstein's and Mr. Strupp's ISP options were granted on July 10, 1995. Mr. Eckardt's and Mr. Strupp's options will become exercisable as to 8,320 shares and 2,800 shares, respectively, on each

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of July 10, 1996, 1997, 1998, 1999 and 2000. Mr. Buckstein's options terminated upon his retirement from the Company.

(4) Mr. Rogers' options for 25,800 shares were granted on July 10, 1995 and will become exercisable as to 5,160 shares on each of July 10, 1996, 1997, 1998, 1999 and 2000. Mr. Rogers' options for 12,500 ISP shares will become exercisable on June 30, 1998.

VALUE OF ISP COMMON STOCK OPTIONS/GAF STOCK APPRECIATION RIGHTS AT DECEMBER 31,

1995

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED ISP OPTIONS (O)/GAF SARS(S) AT 12/31/95	VALUE OF UNEXERCISED IN-THE-MONEY OPTION/SARS AT 12/31/95 (1)
	EXERCISABLE/UNEXERCISABLE	EXERCISABLE/UNEXERCISABLE
Samuel J. Heyman.....	0/150,000 (O)	\$ 0/\$581,250
Carl R. Eckardt.....	39,048/97,792 (O)	37,323/242,892
Mark A. Buckstein.....	12,000/53,700 (O)	49,500/154,575
	0/9,248 (S)	0/359,662
James P. Rogers.....	27,000/71,300 (O)	25,875/190,300
	0/9,319 (S)	0/312,122
James J. Strupp.....	9,885/36,418 (O)	40,776/118,119
	0/9,228 (S)	0/315,184

(1) Options for 150,000, 86,840, 65,700, 68,300 and 46,303 shares were in-the-money for Messrs. Heyman, Eckardt, Buckstein, Rogers and Strupp, respectively, as of December 31, 1995. All outstanding SARs were in-the-money as of December 31, 1995.

PENSION PLANS

Non-Qualified Retirement Plan. The Company has a non-qualified retirement plan for the benefit of certain key employees (the 'Retirement Plan'). The benefit payable under the Retirement Plan, which vests in accordance with a 10-year schedule, consists of an annual payment commencing at age 65 equal to 25% of a covered employee's last full year's base salary. The benefit continues for the longer of 15 years or the joint lifetimes of the employee or his or her spouse. If a covered employee dies while employed by GAF or a subsidiary, a death benefit of 36% of the employee's base salary at the date of death is payable for a term of 15 years to the employee's beneficiary.

No new participants have been admitted to the Retirement Plan since January 1989 and it is not anticipated that any new participants will be admitted hereafter. Of the executive officers named in the Summary Compensation Table, only Messrs. Heyman, Eckardt and Strupp participate in the Retirement Plan.

The following table shows, for the salary levels and years of service indicated, the annual pension benefit, payable commencing at age 65 to participants in the Retirement Plan.

**NON-QUALIFIED RETIREMENT PLAN
ANNUAL PAYMENTS AT AGE 65**

SALARY	YEARS OF SERVICE						
	5	10	15	20	25	30	35
\$250,000	\$31,250	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500
300,000	37,500	75,000	75,000	75,000	75,000	75,000	75,000
350,000	43,750	87,500	87,500	87,500	87,500	87,500	87,500
400,000	50,000	100,000	100,000	100,000	100,000	100,000	100,000
450,000	56,250	112,500	112,500	112,500	112,500	112,500	112,500
500,000	62,500	125,000	125,000	125,000	125,000	125,000	125,000
550,000	68,750	137,500	137,500	137,500	137,500	137,500	137,500
600,000	75,000	150,000	150,000	150,000	150,000	150,000	150,000
650,000	81,250	162,500	162,500	162,500	162,500	162,500	162,500
700,000	87,500	175,000	175,000	175,000	175,000	175,000	175,000

The years of service covered by the Retirement Plan are, for Mr. Heyman, Mr. Eckardt and Mr. Strupp, nine years, nine years and seven years, respectively. Current salaries covered by the Retirement Plan are the amounts set forth under the 'salary' column of the Summary Compensation Table for the above-named executive officers. The annual pension benefit is not subject to reduction for Social Security and other benefits and is computed on a straight-life annuity basis.

Additional Pension Arrangements. ISP has agreed to provide Mr. Eckardt, at age 67, a \$200,000 annuity comprising two pieces: (i) the benefits payable under the Retirement Plan described above, and (ii) a supplemental retirement benefit representing the difference between \$200,000 per year and the benefit payable under the Retirement Plan. The supplemental retirement benefit will vest at 20% per year over a five year period beginning March 19, 1994. In the event Mr. Eckardt should die without a surviving spouse, no supplemental retirement benefit will be payable. In the event Mr. Eckardt should die prior to the termination of his employment, and leave a surviving spouse, his spouse will be entitled to receive for her life an annual payment of the portion of the supplemental retirement benefit in which he was vested on the date of his death. If Mr. Eckardt's employment is terminated involuntarily other than for cause (as defined), or in the event Mr. Eckardt becomes totally and permanently disabled, he will be entitled to receive payment of the portion of the supplemental retirement benefit in which he is vested on the date of termination or of the onset of such disability. If Mr. Eckardt's employment is terminated for cause, the Company in its sole discretion may declare all or any portion (whether vested or unvested) of the supplemental retirement benefits forfeited.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ISP HOLDINGS

Prior to consummation of the Spin Off Transactions, all of the outstanding common stock of ISP Holdings ('ISP Holdings Common Stock') was owned of record by GAF. As part of the Spin Off Transactions, the ISP Holdings Common Stock was distributed to the stockholders of GAF initially in the same proportion as they own common stock of GAF. See 'The Spin Off Transactions.'

The following table sets forth information with respect to the ownership of ISP Holdings Common Stock, as of January 31, 1997, by each other person known to ISP Holdings to own beneficially more than 5% of the ISP Holdings Common Stock outstanding on that date, by each director of ISP Holdings and by all executive officers and directors of ISP Holdings as a group, based on 10 shares of ISP Holdings Common Stock outstanding on that date:

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS	PERCENT OF TOTAL VOTING POWER
Common Stock.....	Samuel J. Heyman 1361 Alps Road Wayne, New Jersey 07470	1,701,100 (1)	96% (1)	96% (1)
	All directors and executive officers of ISP Holdings as a group (6 persons)	1,731,095 (1)	98% (1)	98% (1)

(1) By virtue of Mr. Heyman's ownership of capital stock of GAF having approximately 96% of the combined voting power thereof, Mr. Heyman may be deemed to be the beneficial owner of all shares of ISP Holdings Common Stock.

ISP

As of January 31, 1997, shares of ISP Common Stock were beneficially owned by ISP Holdings' directors, ISP Holdings and ISP Holdings' directors and executive officers as a group as follows:

NAME	NUMBER OF SHARES OWNED	%	NUMBER OF SHARES BENEFICIALLY OWNED (3)	% (3)
Samuel J. Heyman.....	125,000	0.1%	80,655,000 (1)	83.6% (1)
Carl R. Eckardt (2).....	1,000	*	77,416	*
James P. Rogers.....	20,316 (4)	*	67,477 (4)	*
Peter R. Heinze.....	0	*	0	*
Louis S. Goldberg.....	200	*	200	*
Richard A. Weinberg.....	0	*	0	*
ISP Holdings.....	80,500,000	83.5%	80,500,000	83.5%
All directors and executive officers of ISP Holdings (6 persons).....	146,516 (4)	0.2 (3) (4)	80,800,092 (2) (4)	83.7% (2) (4)

* Less than one-tenth of one percent

(1) By virtue of Mr. Heyman's ownership of capital stock of ISP Holdings having approximately 96% of the combined voting power thereof, the number of shares shown as being beneficially owned by Mr. Heyman includes 80,500,000 shares owned by ISP Holdings. The business addresses of Mr. Heyman and ISP Holdings are 1361 Alps Road, Wayne, New Jersey 07470 and 818 Washington Street, Wilmington, Delaware 19801, respectively.

(Footnotes continued on next page)

(2) The number of shares shown as being beneficially owned by all directors and officers of ISP Holdings as a group attributes ownership of ISP Holdings' 80,500,000 shares to Mr. Heyman. See footnote 1 above. Mr. Eckardt also owns 29,995 shares of GAF's common stock which shares have, in the aggregate, approximately 1.7% of the combined voting power of GAF's capital stock. Such shares are held subject to GAF's right to acquire such shares from Mr. Eckardt upon his termination of employment with GAF and its affiliates.

(3) Includes with respect to Messrs. Heyman, Eckardt and Rogers and all directors and executive officers as a group 30,000, 76,416, 47,160 and 153,576 shares, respectively, subject to options granted under the ISP 1991 Incentive Plan which are currently exercisable or exercisable within 60 days.

(4) Includes with respect to Mr. Rogers 7,316 shares held in his account with the GAF Capital Accumulation Plan as of December 31, 1995 and 10,000 shares held jointly with his spouse.

TAX SHARING AGREEMENT

Effective January 1, 1997, ISP and its domestic subsidiaries entered into a

Tax Sharing Agreement with ISP Holdings with respect to the payment of federal income taxes and certain related matters (the 'ISP Holdings Tax Sharing Agreement'). During the term of the ISP Holdings Tax Sharing Agreement, which extends as long as ISP or any of its domestic subsidiaries, as the case may be, is included in a consolidated federal income tax return filed by ISP Holdings, or a successor entity, ISP is obligated to pay to ISP Holdings an amount equal to those federal income taxes ISP would have incurred if, subject to certain exceptions, ISP (on behalf of itself and its domestic subsidiaries) filed its consolidated federal income tax return. These exceptions include, among others, that ISP may utilize certain favorable tax attributes i.e., losses, deductions and credits (except for a certain amount of foreign tax credits and, in general, net operating losses) only at the time such attributes reduce the federal income tax liability of ISP Holdings and its consolidated subsidiaries (the 'ISP Holdings Group'); and that ISP may carry back or carry forward its favorable tax attributes only after taking into account current tax attributes of the ISP Holdings Group. In general, subject to the foregoing limitations, unused tax attributes carry forward for use in reducing amounts payable by ISP to ISP Holdings in future years. Subject to certain exceptions, actual payment for such attributes will be made by ISP Holdings to ISP only when ISP Holdings receives an actual refund of taxes from the IRS or, under certain circumstances, the earlier of (i) the dates of the filing of federal income tax returns of ISP for taxable years of ISP following the last taxable year in which it was a member of the ISP Holdings Group, or (ii) when ISP Holdings no longer owns more than 50% of ISP. Foreign tax credits not utilized by ISP in computing its tax sharing payments will be refunded by ISP Holdings to ISP, if such credits expire unutilized, upon the termination of the statute of limitations for the year of expiration.

The ISP Holdings Tax Sharing Agreement provides for analogous principles to be applied to any consolidated, combined or unitary state or local income taxes. Under the ISP Holdings Tax Sharing Agreement, ISP Holdings makes all decisions with respect to all matters relating to taxes of the ISP Holdings Group. The provisions of the ISP Holdings Tax Sharing Agreement take into account both the federal income taxes ISP would have incurred if it filed its own separate federal income tax return and the fact that ISP is a member of the ISP Holdings Group for federal income tax purposes.

ISP Holdings and ISP were parties to tax sharing agreements with members of the GAF Group. As a result of the Spin Off Transactions, ISP Holdings and ISP are no longer included in the consolidated federal income tax returns of GAF, and therefore, such tax sharing agreements are no longer applicable with respect to the future tax liabilities of ISP Holdings and ISP. ISP Holdings and ISP remain obligated, however, with respect to tax liabilities imposed or that may be imposed for periods prior to the Spin Off Transactions. Among other things, those tax sharing agreements provide for the sharing of the GAF Group's consolidated tax liability based on each member's share of the tax as if such member filed on a separate basis. Accordingly, a payment of tax would be made to GAF equal to ISP Holdings' and ISP's allocable share of the GAF Group's consolidated tax liability. Alternatively, ISP Holdings and ISP would be entitled to refunds if losses or other attributes reduce the GAF Group's consolidated tax liability. Moreover, foreign tax credits generated by ISP not utilized by GAF will be refunded by GAF or its subsidiary to ISP, if such credits expire unutilized upon termination of the statute of limitations for the

year of expiration. Furthermore, those tax sharing agreements provide for an indemnification to ISP Holdings and ISP for any tax liability attributable to another member of the GAF Group.

See 'Certain Relationships' for information relating to tax indemnification in connection with the Spin Off Transactions.

CERTAIN RELATIONSHIPS

Management Agreement. Pursuant to a Management Agreement (the 'Management Agreement') which expires at the end of 1997, ISP provides certain general management, administrative and facilities services to ISP Holdings and to certain other affiliates of GAF, including BMCA, USI, G-I Holdings and GCC. Charges by ISP for providing such services aggregated \$4.9 million in 1996. In addition to the management services charge, BMCA paid approximately \$800,000 to ISP in 1996, primarily for telecommunications and information services, and ISP Holdings, G-I Holdings and BMCA paid approximately \$500,000 to ISP in 1996 for legal services, which in each case were not then contemplated by the Management Agreement. In connection with the Spin Off Transactions, the Management Agreement was modified to incorporate such services, and, in that connection, the total charges for management fees were increased to an annual rate of \$5.5 million, effective January 1, 1997. Although, due to the unique nature of the services provided under the Management Agreement, comparisons with third party arrangements are difficult, ISP believes that the terms of the Management Agreement, taken as a whole, are no less favorable to ISP than could be obtained from an unaffiliated third party. Certain of the executive officers of ISP perform services for affiliates of ISP pursuant to the Management Agreement, and ISP is indirectly reimbursed therefor by virtue of the management fee.

Granules Contracts. BMCA purchases from ISP all of its colored roofing granule requirements (except for the requirements of BMCA's California roofing plant) under a requirements contract which was renewed for 1997 and is subject to annual renewal unless terminated by ISP or BMCA. In addition, in December 1995, USI commenced purchasing from ISP substantially all of its requirements for colored roofing granules (except for the requirements of USI's Stockton, California and Corvallis, Oregon plants) pursuant to a requirements contract which expires December 31, 1997. In 1996, BMCA and USI purchased approximately \$50.5 million of mineral products from ISP, representing approximately 7% of ISP's total net sales and approximately 59% of ISP's net sales of mineral products. The Company's supply arrangements with BMCA and USI are at prices and on terms which the Company believes are no less favorable to ISP than could be obtained from an unaffiliated third party.

Mutual Indemnification. Pursuant to the terms of an indemnification agreement dated as of October 18, 1996 (the 'Indemnification Agreement') among GAF, G-I Holdings, ISP Holdings, G Industries and GFC, (i) GAF and G-I Holdings have agreed to indemnify ISP Holdings and its subsidiaries for all liabilities

of the GAF Group as it is currently comprised (the 'Current GAF Group'), including all liabilities for asbestos-related claims (whether for indemnity or defense) and such group's liabilities relating to environmental matters, litigation and employee benefits and excluding all liabilities of ISP and its subsidiaries, all liabilities relating to the Notes and all other liabilities reflected in the pro forma consolidated balance sheet of ISP Holdings and its subsidiaries or the notes thereto prepared in connection with the ISP Holdings Transactions, (ii) ISP Holdings has agreed to indemnify GAF and the other members of the Current GAF Group for all liabilities of ISP and its subsidiaries, all liabilities relating to the Notes, and all other liabilities reflected in the pro forma consolidated balance sheet of ISP Holdings and its subsidiaries or the notes thereto prepared in connection with the ISP Holdings Transactions (excluding those liabilities as to which ISP Holdings is being indemnified in accordance with clause (i)), (iii) ISP Holdings has agreed to indemnify GAF and the other members of the Current GAF Group for its accrued tax liability prior to the Spin Off Transactions and (iv) GAF, G-I Holdings, G Industries and GFC have agreed to indemnify ISP Holdings, ISP and its subsidiaries from, and against, any and all taxes (net of any tax benefits realized by the indemnitees) that may be payable by the Current GAF Group with respect to the Spin Off Transactions. See 'Selected Financial Data.'

Affiliate Borrowings. Prior to the consummation of the Spin Off Transactions, letters of credit for the benefit of BMCA and G-I Holdings were provided under the ISP Credit Agreement. The highest amount of such letters of credit during 1996 was \$2.3 million. In addition, prior to the consummation of the Spin Off Transactions, ISP Holdings and ISP and its subsidiaries borrowed from G-I Holdings from time to time at prevailing market rates (between 5.7% and 6.0% per annum during 1996). The highest amount of loans made by G-I Holdings during 1996 was \$153 million. As of December 31, 1996, no amounts were owed by ISP Holdings, ISP or its subsidiaries to G-I Holdings.

Other Transactions Between ISP Holdings and Other Members of the Current GAF Group. The Indentures restrict ISP Holdings and ISP from engaging in certain transactions with members of the Current GAF Group, including making loans to, or guarantees in favor of, such companies, except pursuant to certain specified agreements. See 'Description of the New Notes' and 'Risk Factors--Holding Company Structure and Related Considerations.' For a description of certain tax sharing agreements, see 'Tax Sharing Agreement.'

THE EXCHANGE OFFERS

PURPOSE AND EFFECT

Each of the Old 9% Notes and the Old 9 3/4% Notes were issued by ISP Holdings on October 18, 1996. In connection therewith, ISP Holdings entered into each of the 9% Note Indenture and the 9 3/4% Note Indenture, each of which requires that ISP Holdings file a registration statement under the Securities Act with respect to the New Notes and, upon the effectiveness of such registration statement, offer to the holders of the Old Notes the opportunity to exchange their Old Notes for a like principal amount of New Notes, which will be issued without a restrictive legend and, except as set forth below, may be reoffered and resold by the holder without registration under the Securities Act. Upon the completion of the Exchange Offers, ISP Holdings' obligations with respect to the registration of the Old Notes and the New Notes will terminate, except as provided below. A copy of each Indenture and the Registration Agreements delivered in connection therewith have been filed as exhibits Prospectus is a part. As a result of the filing and the effectiveness of the Registration Statement, certain prospective increases in the interest rate on the Old Notes provided for in the Registration Agreements will not occur. Following the completion of the Exchange Offers, holders of Old Notes not tendered will not have any further registration rights, except as provided below, and the Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for the Old Notes could be adversely affected upon completion of the Exchange Offers.

Based on an interpretation by the staff of the Commission set forth in no-action letters issued to third parties, ISP Holdings believes that New Notes issued pursuant to the Exchange Offers in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a holder thereof (other than any such holder that is an 'affiliate' of ISP holdings within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such holder represents to ISP Holdings that (i) such New Notes are acquired in the ordinary course of business of such holder, (ii) such holder is not engaging in and does not intend to engage in a distribution of such new Notes and (iii) such holder has no arrangement or understanding with any person to participate in the distribution of such New Notes. Any holder who tenders in the Exchange Offers for the purpose of participating in a distribution of the New Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. See 'Plan of Distribution.'

In the event that any holder of Old Notes would not receive freely tradeable New Notes in the Exchange Offers or is not eligible to participate in the Exchange Offers, such holder can elect, by so indicating on the Letter of Transmittal and providing certain additional necessary information, to have such holder's Old Notes registered in a 'shelf' registration statement on an

appropriate form pursuant to Rule 415 under the Securities Act. In the event that ISP Holdings is obligated to file a 'shelf' registration statement, it will be required to keep such 'shelf' registration statement effective for a period of three years or such shorter period that will terminate when all of the Old Notes covered by such registration statement have been sold pursuant thereto. Other than as set forth in this paragraph, no holder will have the right to require ISP Holdings to register such holder's Notes under the Securities Act. See 'Procedures for Tendering.'

CONSEQUENCES OF FAILURE TO EXCHANGE

Following the completion of the Exchange Offers holders of Old Notes not tendered will not have any further registration rights, except as set forth above, and the Old Notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for a holder's Old Notes could be adversely affected upon completion of the Exchange Offers if such holder does not participate in the Exchange Offers.

TERMS OF THE EXCHANGE OFFERS

Upon the terms and subject to the conditions set forth in this Prospectus and in the Letter of Transmittal, ISP Holdings will accept any and all Old Notes validly tendered and not withdrawn prior to 12:00 midnight, New York City time, on the Expiration Date. ISP Holdings will issue (i) \$1,000 principal amount of New 9% Notes in exchange for each \$1,000 principal amount of outstanding Old 9% Notes accepted in the Exchange Offer relating thereto and (ii) \$1,000 principal amount of New 9 3/4% Notes in exchange for each \$1,000 principal amount of outstanding Old 9 3/4% Notes accepted in the Exchange Offer relating thereto. Holders may tender some or all of their Old Notes pursuant to the Exchange Offers. However, Old Notes may be tendered only in integral multiples of \$1,000 in principal amount.

The form and terms of New 9% Notes are the same as the form and terms of the Old 9% Notes and the form and terms of the New 9 3/4 Notes are the same as the form and terms of the Old 9 3/4% Notes, except, in each case, that the New Notes have been registered under the Securities Act and hence will not bear legends restricting the transfer thereof. The New 9% Notes will evidence the same debt as the Old 9% Notes and will be issued pursuant to, and entitled to the benefits of, the 9% Indenture pursuant to which the Old Notes were issued and will be deemed one issue of notes, together with the Old 9% Notes. The New 9 3/4% Notes will evidence the same debt as the Old 9 3/4% Notes and will be issued pursuant to, and entitled to the benefits of, the 9 3/4% Indenture pursuant to which the Old Notes were issued and will be deemed one issue of notes, together with the Old 9 3/4% Notes.

As of the date of this Prospectus, \$325,000,000 aggregate principal amount of the Old 9% Notes and \$199,871,000 aggregate principal amount of the Old 9 3/4% Notes were outstanding. This Prospectus, together with the applicable Letter of Transmittal, is being sent to all registered holders and to others believed to have beneficial interests in the Old Notes. Holders of Old Notes do not have any appraisal or dissenters' rights in connection with the Exchange Offers under the General Corporation Law of the State of Delaware or the

Indentures. ISP Holdings intends to conduct the Exchange Offers in accordance with the applicable requirements of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and the rules and regulations of the Commission promulgated thereunder.

ISP Holdings shall be deemed to have accepted validly tendered Old Notes when, as, and if ISP Holdings has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering holders for the purpose of receiving the New Notes from ISP Holdings. If any tendered Old Notes are not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, certificates for any such unaccepted Old Notes will be returned, without expense, to the tendering holder thereof as promptly as practicable after the Expiration Date.

Holders who tender Old Notes in the Exchange Offers will not be required to pay brokerage commissions or fees or, except as set forth below under 'Transfer Taxes,' transfer taxes with respect to the exchange of Old Notes pursuant to the Exchange Offers. ISP Holdings will pay all charges and expenses, other than certain applicable taxes, in connection with the Exchange Offers. See '--Fees and Expenses' below.

EXPIRATION DATE; AMENDMENTS

The term 'Expiration Date' shall mean 12:00 midnight, New York City time, on , 1997, unless ISP Holdings, in its sole discretion, extends either Exchange Offer (in which case the term 'Expiration Date' shall mean the later date and time to which such Exchange Offer is extended). ISP Holdings does not intend to extend either Exchange Offer although it reserves the right to do so by giving oral or written notice of such extension to the Exchange Agent and by giving each registered holder notice by means of a press release or other public announcement of any extension, in each case, prior to 9:00 A.M., New York City time, on the next business day after the scheduled Expiration Date. ISP Holdings also reserves the right, in its sole discretion, (i) to delay accepting any Old Notes or, if any of the conditions set forth below under 'Conditions' shall not have been satisfied or waived, to terminate either Exchange Offer or (ii) to amend the terms of either Exchange Offer in any manner, by giving oral or written notice of such delay, or termination to the Exchange Agent, and by complying with Rule 14e-1(d) promulgated under the Exchange Act to the extent such Rule applies. ISP Holdings acknowledges and undertakes to comply with the provisions of Rule 14e-1(c) promulgated under the Exchange Act, which requires ISP Holdings to pay the consideration offered, or return the Old Notes surrendered for exchange, promptly after the termination or withdrawal of the applicable Exchange Offer. Any such

extension, termination or amendment will be followed as promptly as practicable by a notice to holders of Old Notes of the appropriate issue.

PROCEDURES FOR TENDERING

Only a registered holder of Old 9% Notes may tender such Old Notes in the Exchange Offer relating thereto and only a registered holder of Old 9 3/4% Notes may tender such Old Notes in the Exchange Offer relating thereto. To tender in

either Exchange Offer, a registered holder must complete, sign, and date the applicable Letter of Transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the Letter of Transmittal, and mail or otherwise deliver such Letter of Transmittal or such facsimile to the Exchange Agent prior to the Expiration Date. In addition, either (i) certificates for such Old Notes must be received by the Exchange Agent along with the Letter of Transmittal, or (ii) a timely confirmation of a book-entry transfer (a 'Book-Entry Confirmation') of such Old Notes, if such procedure is available, into the Exchange Agent's account at The Depository Trust Company (the 'Book-Entry Transfer Facility') pursuant to the procedure for book-entry transfer described below, must be received by the Exchange Agent prior to the Expiration Date, or (iii) the registered holder must comply with the guaranteed delivery procedures described below. To be tendered effectively, the Letter of Transmittal and other required documents must be received by the Exchange Agent at the address set forth below under 'Exchange Agent' prior to the Expiration Date.

The tender by a registered holder which is not withdrawn prior to the Expiration Date will constitute an agreement between such holder and ISP Holdings in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

THE METHOD OF DELIVERY OF OLD NOTES AND THE LETTER OF TRANSMITTAL AND ALL

OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE HOLDER. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT BEFORE THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO ISP HOLDINGS. HOLDERS MAY REQUEST THEIR RESPECTIVE BROKERS, DEALERS, COMMERCIAL BANKS, TRUST COMPANIES, OR NOMINEES TO EFFECT THE ABOVE TRANSACTIONS FOR SUCH HOLDERS.

Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee and who wishes to tender should contact the registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such owner's own behalf, such owner must, prior to completing and executing the Letter of Transmittal and delivering such owner's Old Notes, either make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, must be guaranteed by an Eligible Institution (as defined below) unless (A) Old Notes tendered pursuant thereto are tendered (i) by a registered holder who has not completed the box entitled 'Special Registration Instructions' or 'Special Delivery Instructions' on the Letter of Transmittal or (ii) for the account of an Eligible Institution and (B) the box entitled 'Special Registration Instructions' on the Letter of Transmittal has not been completed. In the event that signatures on a Letter of Transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, such guarantee must be by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Program

or the Stock Exchanges Medallion Program (each an 'Eligible Institution').

If the Letter of Transmittal is signed by a person other than the registered holder of any Old Notes listed therein, such Old Notes must be endorsed or accompanied by a properly completed bond power and signed by such registered holder as such registered holder's name appears on such Old Notes.

If the Letter of Transmittal or any Old Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officer of corporations, or others acting in a fiduciary or

representative capacity, such persons should so indicate when signing, and unless waived by ISP Holdings, evidence satisfactory to ISP Holdings of their authority to so act must be submitted with the Letter of Transmittal.

All questions as to the validity, form, eligibility (including time of receipt), acceptance, and withdrawal of tendered Old Notes will be determined by ISP Holdings in its sole discretion, which determination will be final and binding. ISP Holdings reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes ISP Holdings' acceptance of which would, in the opinion of counsel for ISP Holdings, be unlawful. ISP Holdings also reserves the right to waive any defects, irregularities, or conditions of tender as to particular Old Notes. ISP Holdings' interpretation of the terms and conditions of the Exchange Offers (including the instructions in the Letter of Transmittal) will be final and binding on all parties. Unless waived, defects or irregularities in connection with tenders of Old Notes must be cured within such time as ISP Holdings shall determine. Although ISP Holdings intends to notify holders of defects or irregularities with respect to tenders of Old Notes, neither ISP Holdings, the Exchange Agent, nor any other person shall incur any liability for failure to give such notification. Tenders of Old Notes will not be deemed to have been made until such defects or irregularities have been cured or waived. Any Old Notes received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering holders, unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

In addition, ISP Holdings reserves the right in its sole discretion to purchase or make offers for, or to offer New Notes for, any Old Notes that remain outstanding subsequent to the Expiration Date or, as set forth below under 'Conditions,' to terminate either Exchange Offer and, to the extent permitted by applicable law, purchase Old Notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the Exchange Offers.

By tendering, each holder will represent to ISP Holdings that, among other things, (i) the New Notes acquired pursuant to the Exchange Offer are being acquired in the ordinary course of business of such holder, (ii) the holder is not engaging in and does not intend to engage in a distribution of such New Notes, (iii) the holder does not have an arrangement or understanding with any person to participate in the distribution of such New Notes and (iv) the holder is not an 'affiliate,' as defined under Rule 405 of the Securities Act, of ISP

Holdings.

In all cases, issuance of New Notes for Old Notes that are accepted for exchange pursuant to either Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Notes or a timely Book-Entry Confirmation of such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offers or if Old Notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged Old Notes (or Old Notes in substitution therefor) will be returned without expense to the tendering holder thereof (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the Book-Entry Transfer Facility pursuant to the book-entry transfer procedures described below, such non-exchanged Old Notes will be credited to such tendering holder's account maintained with such Book-Entry Transfer Facility) as promptly as practicable after the expiration or termination of the Exchange Offer.

BOOK-ENTRY TRANSFER

The Exchange Agent will make a request to establish an account with respect to the Old Notes at the Book-Entry Transfer Facility for purposes of the Exchange Offers within two business days after receipt of this Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Old Notes by causing the Book-Entry Transfer Facility to transfer such Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Old Notes may be effected through book-entry transfer at the Book-Entry Transfer Facility, the Letter of Transmittal or facsimile thereof, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the Exchange Agent at the address set forth below under 'Exchange Agent' on or prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

GUARANTEED DELIVERY PROCEDURES

If a registered holder of the Old 9% Notes or Old 9 3/4% Notes desires to tender such Old Notes and such Old Notes are not immediately available, or time will not permit such holder's Old Notes or other required documents to reach the Exchange Agent before the Expiration Date, or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if (i) the tender is made through an Eligible Institution, (ii) on or prior to 12:00 midnight, New York City time, on the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by ISP Holdings (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ('NYSE') trading days after the date of execution of the Notice of

Guaranteed Delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by the Letter of Transmittal will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and all other documents required by the Letter of Transmittal, are received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

WITHDRAWAL RIGHTS

Tenders of Old 9% Notes or Old 9 3/4% Notes may be withdrawn at any time prior to 12:00 midnight, New York City time, on the Expiration Date.

For a withdrawal of a tender of Old Notes to be effective, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth below under 'Exchange Agent' prior to 12:00 midnight, New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the 'Depositor'), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) be signed by the holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee register the transfer of such Old Notes into the name of the person withdrawing the tender, and (iv) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. All questions as to the validity, form, and eligibility (including time of receipt) of such notices will be determined by ISP Holdings, whose determination shall be final and bindings on all parties. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offers. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender, or termination of the applicable Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under 'Procedures for Tendering' above at any time on or prior to 12:00 midnight, New York City time, on the Expiration Date.

CONDITIONS

The consummation of either Exchange Offer is not conditioned on the consummation of the other Exchange Offer. Notwithstanding any other provisions of the Exchange Offers and, however, subject to its obligations pursuant to the Registration Agreements, ISP Holdings shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend either Exchange Offer, if at any time before the acceptance of such New Notes for exchange, any of the following events shall occur:

A. any injunction, order or decree shall have been issued by any court or any governmental agency that would prohibit, prevent or otherwise materially impair the ability of ISP Holdings to proceed with such Exchange Offer; or

B. such Exchange Offer shall violate any applicable law or any applicable interpretation of the staff of the Commission.

The foregoing conditions are for the sole benefit of ISP Holdings and may be asserted by ISP Holdings regardless of the circumstances giving rise to any such condition or may be waived by ISP Holdings in whole or in part at any time and from time to time in its sole discretion. The failure by ISP Holdings at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and such right shall be deemed an ongoing right which may be asserted at any time and time to time.

In addition, ISP Holdings will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at such time any stop order shall be threatened by the Commission or be in effect with respect to the Registration Statement of which this Prospectus is a part or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

Neither Exchange Offer is conditioned on any minimum principal amount of Old Notes being tendered for exchange.

ASSISTANCE

All executed Letters of Transmittal should be directed to the Exchange Agent. Questions and requests for assistance may be directed to the Exchange Agent as provided below under 'Exchange Agent.'

EXCHANGE AGENT

The Bank of New York has been appointed as Exchange Agent for the Exchange Offers. Questions, requests for assistance and requests for additional copies of the Prospectus, the Letter of Transmittal and other related documents should be directed to the Exchange Agent addressed as follows:

By Registered or Certified Mail, By Hand
or by Overnight Courier:

The Bank of New York
101 Barclay Street--7E
New York, New York 10286
Attn: Reorganization Section

By Facsimile:
(212) 571-3080

By Telephone:
(212) 815-6333

The Exchange Agent also acts as trustee under the Indentures.

FEES AND EXPENSES

ISP Holdings will not make any payments to brokers, dealers, or others soliciting acceptances of the Exchange Offer. The principal solicitation is

being made by mail; however, additional solicitations may be made in person or by telephone by officers and employees of ISP Holdings.

The estimated cash expenses to be incurred in connection with the Exchange Offers will be paid by ISP Holdings and are estimated in the aggregate to be approximately \$250,000 which includes fees and expenses of the Exchange Agent, accounting, legal, printing and related fees and expenses.

TRANSFER TAXES

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection therewith, except that holders who instruct ISP Holdings to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the Exchange Offers be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax thereon.

ACCOUNTING TREATMENT

ISP Holdings will not recognize any gain or loss for accounting purposes upon the consummation of the Exchange Offers. The expense of the Exchange Offers will be amortized by ISP Holdings over the respective terms of the New Notes under generally accepted accounting principles.

DESCRIPTION OF THE NEW NOTES

GENERAL

The Old 9% Notes were issued under an Indenture dated as of October 18, 1996 (the '9% Note Indenture') between ISP Holdings and the Bank of New York, as trustee (the 'Trustee'). The Old 9 3/4% Notes were issued under an Indenture dated as of October 18, 1996 (the '9 3/4% Note Indenture') between ISP Holdings and the Trustee. A copy of each of the 9% Note Indenture and the 9 3/4% Note Indenture (each individually, an 'Indenture' and together, the 'Indentures') has been filed as an exhibit to the Registration Statement of which this Prospectus is a part. As a result of the consummation of the Spin Off Transactions, G-I Holdings and its subsidiaries, including BMCA, are no longer subsidiaries of ISP Holdings. Therefore, restrictions set forth in the Indentures with respect to the operations of G-I Holdings and its subsidiaries, including BMCA, are no longer applicable. The New 9% Notes will be issued under the 9% Note Indenture and the New 9 3/4% Notes will be issued under the 9 3/4% Note Indenture, each of which will be qualified under the Trust Indenture Act of 1939, as amended (the 'TIA'), upon the effectiveness of the Registration Statement of which this Prospectus is a part. The form and terms of each issue of New Notes and the respective series of Old Notes are the same except that the New Notes have been registered under the Securities Act and, therefore, will not bear legends restricting the transfer thereof. The following summary of certain provisions of the Indentures does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the TIA, and to all of the provisions of each Indenture including the definitions of certain terms therein and those terms made a part of such Indenture by reference to the TIA as in effect on the date of such Indenture. The definitions of certain capitalized terms used in the following summary are set forth under 'Certain Definitions.' The term '9% Notes' means the New 9% Notes and the Old 9% Notes treated as a single class. The term '9 3/4% Notes' means the New 9 3/4% Notes and the Old 9 3/4% Notes treated as a single class. The term 'Notes' means the 9% Notes and the 9 3/4% Notes, collectively. For purposes of this section, the 'Company' means ISP Holdings Inc., not including any of its Subsidiaries.

The 9% Notes will be general unsecured obligations of the Company and will rank senior to all subordinated indebtedness of the Company and pari passu in right of payment to the 9 3/4% Notes and to all other unsubordinated indebtedness of the Company. The 9 3/4% Notes will be general unsecured obligations of the Company and will rank senior to all subordinated indebtedness of the Company and pari passu in right of payment to the 9% Notes and to all other unsubordinated indebtedness of the Company. The Notes will be effectively subordinated to all secured indebtedness of the Company to the extent of the assets securing such indebtedness and to all indebtedness and other obligations of the Company's subsidiaries. See Note 8 to Consolidated Financial Statements.

PRINCIPAL, MATURITY AND INTEREST

The 9% Notes are limited in aggregate principal amount to \$325,000,000 and will mature on October 15, 2003. The 9% Notes bear interest at a rate of 9% per annum from the Issue Date. Interest is payable semiannually on each April 15 and October 15 (each, a '9% Interest Payment Date'), commencing on April 15, 1997, to the persons who are registered Holders on the immediately preceding April 1

and October 1, whether or not a business day (each, a '9% Interest Record Date'). Accrued and unpaid interest on the Old 9% Notes will be paid in cash on the first 9% Interest Payment Date to the persons who are registered Holders of 9% Notes on the 9% Interest Record Date for such 9% Interest Payment Date.

The 9 3/4% Notes are limited in aggregate principal amount to \$199,871,000 and will mature on February 15, 2002. The 9 3/4% Notes bear interest at a rate of 9 3/4% per annum from the Issue Date. Interest will be payable semiannually on each February 15 and August 15 (each, a '9 3/4% Interest Payment Date'), commencing on February 15, 1997, to the persons who are registered Holders on the immediately preceding February 1 and August 1, whether or not a business day (each, a '9 3/4% Interest Record Date'). Accrued and unpaid interest on the Old 9 3/4% Notes will be paid in cash on the first 9 3/4% Interest Payment Date to the persons who are registered Holders of 9 3/4% Notes on the 9 3/4% Interest Record Date for such 9 3/4% Interest Payment Date.

If the Company defaults in a payment of interest on the Notes, it shall pay the default interest, plus, to the extent permitted by law, any interest payable on the defaulted interest, to the Persons who are Holders on a

subsequent special record date. Such special record date shall be the fifteenth day next preceding the date fixed by the Company for the payment of defaulted interest, whether or not such day is a business day. At least 15 days before the special record date, the Company shall mail or cause to be mailed to each Holder and the Trustee a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes will not be entitled to the benefit of any mandatory sinking fund.

OPTIONAL REDEMPTION

The 9% Notes are redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

YEAR	PERCENTAGE
-----	-----
1999.....	104.5%
2000.....	103.0%
2001.....	101.5%
2002.....	100.0%

In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% of the principal amount of the 9% Notes then outstanding at a redemption price equal to 109% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than 50% of the principal amount of 9% Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

The Company also has the right to redeem all, but not less than all, of the 9% Notes upon a Change of Control. See 'Change of Control Put and Call.'

The 9 3/4% Notes are redeemable, at the Company's option, in whole at any time or in part from time to time, on and after October 15, 1999, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the twelve-month period commencing on October 15 of the year set forth below, plus, in each case, accrued and unpaid interest thereon, if any, to the date of redemption:

YEAR	PERCENTAGE
-----	-----
1999.....	104.8750%
2000.....	102.4375%
2001.....	100.0000%

In the event that on or prior to October 15, 1999, (x) the Company consummates a sale of its Common Stock or (y) ISP or the Company consummates a sale of the Common Stock of ISP, the Company may, at its option, redeem, but only to the extent of net cash proceeds therefrom actually received by the Company, up to 50% of the principal amount of the 9 3/4% Notes then outstanding at a redemption price equal to 109.75% of the principal amount thereof plus accrued interest thereon to the date of redemption; provided, however, that, no such redemption may be made if and to the extent that, after giving effect thereto, less than a majority of the principal amount of 9 3/4% Notes originally issued would be outstanding. Any such redemption shall be made within 75 days of the first consummation of any such sale.

The Company also has the right to redeem all, but not less than all, of the 9 3/4% Notes upon a Change of Control. See 'Change of Control Put and Call.'

SELECTION AND NOTICE OF REDEMPTION

In the event that less than all of the Notes of either class are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which such Notes are listed or, if such Notes are not then listed on a national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided, however, that no Notes of a principal amount of \$1,000 or less shall be redeemed in part; provided, further, that if a partial redemption is made in accordance with the second or fifth paragraph under 'Optional Redemption,' selection of the Notes or portions thereof for redemption shall be made by the Trustee only on a pro rata basis with the other Notes of such class or on as nearly a pro rata basis as is practicable (subject to procedures of the Depository Trust Company), unless such method is otherwise prohibited. Notice of redemption shall be mailed by first-class mail at least 30 but not more than 60 days before the redemption date (or, if applicable, at such other time as is provided below under 'Change of Control Put and Call') to each Holder of Notes to be redeemed at its registered address. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption as long as the Company has deposited with the Paying Agent funds in satisfaction of the applicable redemption price pursuant to the Indenture.

CHANGE OF CONTROL PUT AND CALL

In the event of any Change of Control, each Holder shall have the right, at such Holder's option, to require the Company to purchase all or any portion (in integral multiples of \$1,000) of such Holder's Notes on the date (the 'Change of Control Payment Date') which is 25 business days after the date the Change of Control Notice (as defined below) is mailed or is required to be mailed (or such later date as is required by applicable law) at 101% of the principal amount thereof (or, if lower, the applicable redemption prices then in effect under the provisions described in the first and fourth paragraphs under '--Optional Redemption') plus accrued interest thereon to the Change of Control Payment Date.

The Company or, at the request of the Company, the Trustee shall send, by first-class mail, postage prepaid, to all Holders, within ten business days after the occurrence of each Change of Control, a notice of the occurrence of such Change of Control (the 'Change of Control Notice'), specifying a date by which a Holder must notify the Company of such Holder's intention to exercise the repurchase right and describing the procedure that such Holder must follow to exercise such right. The Company is required to deliver a copy of such notice to the Trustee.

Each Change of Control Notice shall state: (1) that the change of control offer is being made pursuant to this covenant and that all Notes of such class tendered will be accepted for payment; (2) the purchase price and the Change of Control Payment Date; (3) that any Note not tendered will continue to accrue interest; (4) that, unless the Company defaults in making payment therefor, any Note accepted for payment pursuant to the change of control offer shall cease to accrue interest after the Change of Control Payment Date; (5) that Holders

electing to have a Note purchased pursuant to a change of control offer will be required to surrender the Note in accordance with the instructions set forth therein; (6) that the Company has the right, pursuant to provisions described in the next paragraph, to redeem any Notes not tendered at the Call Price (defined below); and (7) the circumstances and relevant facts regarding such Change of Control.

In the event a Change of Control occurs, the Company may redeem all, but not less than all, of the Notes of each class then outstanding, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, plus the Applicable Premium (the 'Call Price'). Notice of any redemption to be made pursuant to this paragraph as a result of the occurrence of a Change of Control must be given no later than 10 days after the Change of Control Payment Date applicable to the Change of Control giving rise to such redemption, and redemption must be made within 30 days of the date of the notice.

The Company shall comply with all applicable Federal and state securities laws in connection with each Change of Control Notice.

CERTAIN DEFINITIONS

'Acquired Debt,' with respect to any Person, means (i) Debt (including any then unutilized commitment under any revolving working capital facility) of an entity, which entity is acquired by such Person or any of its Subsidiaries after the Issue Date; provided that such Debt (including any such facility) is outstanding at the time of the acquisition of such entity, is not created in contemplation of such acquisition and is not, directly or indirectly, recourse (including by way of set-off) to such Person or its Subsidiaries or any of their respective assets other than to the entity and its Subsidiaries so acquired and the assets of the entity and its Subsidiaries so acquired, (ii) Debt of such Person that is not, directly or indirectly, recourse (including by way of set-off) to such Person and its Subsidiaries or any of their respective assets other than to specified assets acquired by such Person or its Subsidiaries after the Issue Date, which Debt is outstanding at the time of the acquisition of such assets and is not created in contemplation of such acquisition, or (iii) Refinancings of Debt described in clauses (i) or (ii), provided that the recourse with respect to such Refinancing Debt is limited to the same extent as the Debt so Refinanced.

'Additional Interest' means all additional interest owing under the Registration Rights Agreements.

'Affiliate' of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, 'control' when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms 'controlling' and 'controlled' having meanings correlative to the foregoing. For the avoidance of doubt, GAF and its Affiliates (so long as they are under common control with the Company) shall be deemed to be Affiliates of the Company.

'Applicable Premium' means, with respect to any Note, the greater of (x) 1.0% of the principal amount of such Note and (y) the excess, if any, of (a) the present value of the required remaining interest payments, principal and future optional redemption premium (if applicable) of such Note, discounted on a semi-annual bond equivalent basis from either the maturity date of the Note or the optional redemption date to the applicable redemption date at a per annum interest rate equal to the Treasury Yield for such redemption date plus 100 basis points, over (b) the sum of the principal amount of such Note plus accrued and unpaid interest to the redemption date.

'Asset Sale' means, with respect to any Person, the sale, lease, assignment or other disposition (including, without limitation, dispositions pursuant to any consolidation, merger or sale and leaseback transaction) by such Person or any of its Subsidiaries in any single transaction or series of related transactions of (x) any Capital Stock of any Subsidiary of such Person or (y) all or substantially all of the properties and assets of any division or line of business of such Person or any of its Recourse Subsidiaries, in either case, other than by the Company or any of its Subsidiaries to the Company or any of its Subsidiaries. For the purposes of this definition, the term 'Asset Sale' shall not include (A) any sale, lease, assignment or other disposition of properties or assets that is governed by the provisions described under '--Merger, Etc.,' (B) any sale, lease, assignment or other disposition by a Person that has outstanding Long-Term Debt all of which (x) are rated BBB- or higher by S&P and are not on credit watch by S&P for a possible downgrade below BBB- or (y) are rated Baa3 or higher by Moody's and are not on credit watch by Moody's for a possible downgrade below Baa3, or (C) any sale of Common Stock the proceeds of which are used pursuant to the provisions described in the second or fifth paragraph under '-- Optional Redemption.'

'Average Life' means, with respect to any Debt, the quotient obtained by dividing (i) the sum of the products of (a) the number of years from the date of the transaction or event giving rise to the need to calculate the Average Life of such Debt to the date, or dates, of each successive scheduled principal payment of such Debt multiplied by (b) the amount of each such principal payment by (ii) the sum of all such principal payments.

'Bankruptcy Law' means Title 11, U.S. Code or any similar Federal, state or foreign law for the relief of debtors.

'Board of Directors' of any Person means the Board of Directors or similar governing body of such Person, or any duly authorized committee of such Board of Directors or similar governing body.

'Board Resolution' means, with respect to the Board of Directors of any Person, a copy of a resolution certified by the Secretary or Assistant Secretary of such Person to have been duly adopted by such Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

'BMCA' means Building Materials Corporation of America, a Delaware corporation, and its successors.

'Capitalized Lease Obligation' means any rental obligation that, in accordance with GAAP, is required to be classified and accounted for as a capitalized lease and the amount of Debt represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the stated maturity thereof shall be the date of the last payment of rent or any other amount due in respect of such obligation.

'Capital Stock' of any Person means any and all shares, interests (including partnership interests), warrants, rights, options or other interests, participations or other equivalents of or interests in (however designated) equity of such Person, including Common Stock or Preferred Stock, whether now outstanding or issued after the Issue Date, but excluding any debt securities convertible into or exchangeable for such equity.

'Cash Equivalents' means (i) marketable direct obligations Issued by, or unconditionally Guaranteed by, the United States Government or Issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition thereof, (ii) marketable direct obligations Issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's, (iii) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's, (iv) certificates of deposit or bankers' acceptances maturing no more than one year from the date of acquisition thereof Issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank having at the date of acquisition thereof combined capital surplus of not less than \$250,000,000, (v) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (iv) above and (vi) investments in money market funds having assets in excess of \$500,000,000 and which invest substantially all their assets in securities of the types described in clauses (i) through (v) above.

'Change of Control' means the occurrence of any of the following events:

(i) prior to the first public offering of Voting Stock of the Company, the Permitted Holders cease to be the 'beneficial owner' (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of majority voting power of the Voting Stock of the Company, whether as a result of issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, any direct or indirect transfer of securities by any Permitted Holder or otherwise (for purposes of this clause (i) and clauses (ii) and (iv) below, the Permitted Holders shall be deemed to beneficially own any Voting Stock of a corporation (the 'specified corporation') held by any other corporation (the 'parent corporation') so long as the Permitted Holders beneficially own (as so defined), directly or indirectly, a majority of the Voting Stock of the parent corporation);

(ii) any 'Person' (as such term is used in sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in clause (i) above, except that a Person shall be deemed to have 'beneficial ownership' of all shares that any such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the Voting Stock of the Company, but only if the Permitted Holders beneficially own (as defined in clause (i) above), directly or indirectly, in the aggregate a lesser percentage of the Voting Stock of the Company than such other Person and do not have the right or ability by voting

power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company;

(iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of the Company or its predecessor (together with any new directors whose election by such Board or whose nomination for election by the shareholders of the Company or its predecessor was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office; or

(iv) either (x) the Permitted Holders or (y) the Company ceases, for any reason, to be the beneficial owner (as defined in clause (i) above), directly or indirectly, of majority voting power of the Voting Stock of ISP, whether as a result of issuance of securities, any merger, consolidation, liquidation or dissolution, any direct or indirect transfer of securities by any Permitted Holder or otherwise.

'Commission' means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the TIA, then the body performing such duties at

such time.

'Common Stock' of any Person means any and all shares, interests, participations, or other equivalents (however designated) of such Person's common stock whether now outstanding or issued after the Issue Date.

'Consolidated EBITDA Coverage Ratio' means, with respect to any Person, for any period, the ratio of (i) EBITDA of such Person for such period to (ii) Consolidated Interest Expense of such Person for such period; provided, however, that (A) if such Person or any of its Subsidiaries has Issued any Debt or Capital Stock since the beginning of such period that remains outstanding on the date such calculation is made or if the transaction giving rise to the need to calculate the Consolidated EBITDA Coverage Ratio is an Issuance of Debt or Capital Stock, or both, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect, on a pro forma basis, to the issuance of such Debt or Capital Stock as if such Debt or Capital Stock had been Issued on the first day of such period and the discharge of any other Debt or Capital Stock Refinanced or otherwise discharged with the proceeds of such new Debt or Capital Stock as if such discharge had occurred on the first day of such period; (B) if since the beginning of such period such Person or any of its Subsidiaries shall have made any asset sale out of the ordinary course of business, EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets which are the subject of such asset sale for such period, or increased by an amount equal to the EBITDA (if negative), directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Debt or Capital Stock of such Person or any Subsidiary of such Person and the amount of any other Debt or Capital Stock Refinanced or otherwise discharged with respect to such Person and its continuing Subsidiaries (including as a result of the assumption of such Debt or Capital Stock by the purchaser of such assets, provided that such Person or any of its Subsidiaries is no longer liable therefor) in connection with such asset sale for such period (or if the Capital Stock of any Subsidiary of such Person is sold, the Consolidated Interest Expense for such period directly attributable to the Debt of such Subsidiary to the extent such Person and its continuing Subsidiaries are no longer liable for such Debt after such sale) (it being understood that the Spin Off shall be considered an asset sale out of the ordinary course of business for purposes of this clause (B)); and (C) if since the beginning of the period such Person or any of its Subsidiaries (by merger or otherwise) shall have made an Investment in any Subsidiary of such Person (or any Person which becomes a Subsidiary of such Person) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto, as if such Investment or acquisition occurred on the first day of such period. For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Person with respect to which the calculation is being made. If any Debt or Capital Stock bears a floating rate of interest or dividends and is being given pro forma effect, the interest on such Debt and the dividends on such Capital Stock shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period.

'Consolidated Interest Expense' means with respect to any Person, for any period, the sum of (a) the interest expense of such Person and its consolidated Subsidiaries (other than interest expense related to Non-Recourse Debt) for such period as determined in accordance with GAAP consistently applied, plus (b) the product of (x) the amount of all dividends paid or accrued on any series of preferred stock of such Person (other than non-Redeemable Stock) and its Recourse Subsidiaries times (y) a fraction, the numerator of which is one and the denominator of which is one minus the effective combined consolidated federal, state and local tax rate of such Person, expressed as a decimal.

'Consolidated Net Income (Loss)' means with respect to any Person, for any period, the consolidated net income (or loss) of such Person and its consolidated Subsidiaries for such period as determined in accordance with GAAP, adjusted to the extent included in calculating such net income (or loss), by excluding (i) all extraordinary gains in such period net of all extraordinary losses in such period; (ii) net income (or loss) of any other Person attributable to any period prior to the date of combination of such other Person with such Person or any of its Subsidiaries on a 'pooling-of-interests' basis; (iii) net gains or losses in respect of dispositions of assets by such Person or any of its Subsidiaries (including pursuant to a sale-and-leaseback arrangement) other than in the ordinary course of business; (iv) the net income (loss) of any Subsidiary of such Person (other than, in calculating the consolidated net income (loss) of the Company, the consolidated net income (loss) of ISP) to the extent that the declaration of dividends or distributions by that Subsidiary of that income is not at the time permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulations applicable to that Subsidiary or its shareholders; (v) the net income (or net loss) of any other Person that is not a Subsidiary of the first Person with respect to which Consolidated Net Income is being calculated (the 'first Person') and in which any other Person (other than such first Person and or any of its Subsidiaries) has an equity interest or of a Non-Recourse Subsidiary of such first Person, except to the extent of the amount of dividends or other distributions actually paid or made to such first Person or any of its Subsidiaries by such other Person during such period (subject in the case of a dividend or distribution received by a Subsidiary of such first Person, to the limitations contained in clause (iv) above); (vi) any interest income resulting from loans or investments in Affiliates, other than cash interest income actually received; (vii) charges relating to the Transactions or the offering of the 10% Notes and (viii) the cumulative effect of a change in accounting principles.

'Consolidated Net Worth' of any Person means, at any date, all amounts that would, in conformity with GAAP, be included under shareholders' equity on a consolidated balance sheet of such Person as at such date less (to the extent otherwise included therein) any amounts attributable to Redeemable Stock.

'Credit Agreement' means the credit agreement, dated as of July 26, 1996, among ISP, certain of its Subsidiaries, the financial institutions named therein and The Chase Manhattan Bank, as agent thereunder, as the same may be amended or supplemented.

'Custodian' means any receiver, trustee, assignee, liquidator, sequestrator

or similar official under any Bankruptcy Law.

'Debt' of any Person means, without duplication, (i) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable (other than those payable to government agencies to defer the payment of workers' compensation liabilities, taxes, assessments or other obligations, and provided in the ordinary course of business of such Person); (ii) all Capital Lease Obligations of such Person; (iii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business); (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in (i) through (iii) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit); (v) all obligations of the type referred to in clauses (i) through (iv) of other Persons and all dividends of other Persons for the payment of which, in either case, such

Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including guarantees of such obligations and dividends; and (vi) all obligations of the type referred to in clauses (i) through (v) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured.

'Default' means any event which is, or after notice or passage of time or both would be, an Event of Default.

'EBITDA' means, with respect to any Person, for any period, the Consolidated Net Income of such Person for such period, adjusted to the extent deducted in calculating such Consolidated Net Income by adding back (without duplication): (i) income tax expense of such Person and its Subsidiaries accrued in accordance with GAAP for such period (other than income taxes attributable to extraordinary items or other items excluded from the definition of Consolidated Net Income), (ii) Consolidated Interest Expense of such Person, (iii) depreciation expense, (iv) amortization expense and (v) minority interest in any Recourse Subsidiary that is not a Wholly-Owned Subsidiary but is otherwise consolidated in the financial statements of such Person, but only so long as such Subsidiary is consolidated with such Person for such period for U.S. federal income tax purposes.

'Exchange Act' means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission thereunder.

'Existing Management Agreement' means the Amended and Restated Management Agreement dated as of March 3, 1992 by and among GAF and certain of its Subsidiaries as amended through the Issue Date.

'Generally Accepted Accounting Principles' or 'GAAP' means generally acceptable accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

'GAF' means GAF Corporation, a Delaware corporation, and its successors.

'Granules Contracts' means (i) the Supply Agreement dated as of January 1, 1995 between ISP Technologies Inc. and BMCA, as amended by amendment dated as of December 31, 1995, and (ii) the letter dated November 9, 1995 from ISP Mineral Products Inc. to USI.

'Guarantee' by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation, contingent or otherwise, of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of participation arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring the obligee of such Debt or other obligation in any other manner of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided, however, that the term 'guarantee' shall not include endorsements for collection or deposit in the ordinary course of business. The term 'Guarantee' used as a verb has a corresponding meaning.

'Incur' means incur, create, assume, Guarantee or otherwise become liable; and the terms 'incurred' and 'incurrence' having meanings correlative to the foregoing.

'Investment' means any direct or indirect advance, loan (other than advances or loans to customers in the ordinary course of business, which are recorded, in accordance with GAAP, at the time made as accounts receivable on the balance sheet of the Person making such advance or loan) or other extension of credit or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities Issued by, any other Person.

'ISP' means International Specialty Products Inc., a Delaware corporation, and its successors.

'ISP Subsidiaries' means ISP and its Subsidiaries.

'Issue' means issue, assume, Guarantee, incur or otherwise become liable

for; provided, however, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary of another Person (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Issued by such Subsidiary at the time it becomes a Subsidiary of such other Person.

'Issue Date' means the date of original issuance of the Old Notes.

'Lien' means any lien, mortgage, charge, pledge, security interest, or other encumbrance of any kind (including any conditional sale or other title retention agreement and any lease in the nature thereof).

'Linden Dividend' means the payment of a dividend or distribution in respect of the Company's Common Stock of the assets comprising the Linden Property or of the shares of Capital Stock of a Subsidiary of the Company all or substantially all of the assets of which consist of the Linden Property.

'Linden Property' means that property consisting of approximately 140 acres (40 acres developed) located in Union County, New Jersey at the foot of South Wood Avenue, Linden and owned by ISP Environmental Services Inc., which is the site of a former chemicals manufacturing facility of ISP.

'Long-Term Debt' of any Person means outstanding long-term debt securities of such Person (or, in the event that such Person has no outstanding long-term debt securities, a credit facility of such Person) that (i) is unsecured, (ii) not subordinated in right of payment to any other Debt of such Person and (iii) is not guaranteed and does not have credit support provided by any other Person (other than, in the case of Long-Term Debt of any ISP Subsidiary, any ISP Subsidiary).

'Moody's' means Moody's Investors Service, Inc. or its successor.

'Net Cash Proceeds' means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents, received by the Company or any of its Subsidiaries from such Asset Sale net of

(a) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions), (b) taxes paid or payable ((1) including, without limitation, income taxes reasonably estimated to be actually payable as a result of any disposition of property within two years of the date of disposition, including under any tax sharing arrangements, and (2) after taking into account any reduction in tax liability due to available tax credits or deductions applicable to the transaction), (c) a reasonable reserve for the after-tax cost of any indemnification obligations (fixed and/or contingent) attributable to seller's indemnities to the purchaser undertaken by the Company or any of its Subsidiaries in connection with such Asset Sale and (d) repayment of Debt that is required to be repaid in connection with such Asset Sale, under agreements governing such Debt or Asset Sale.

'New Management Agreement' means the Existing Management Agreement as amended to add the Company as a party thereto.

'Non-Recourse Debt' of any Person means Debt or the portion of Debt (i) as to which neither GAF, the Company nor any of its Recourse Subsidiaries (A)

provides credit support (including any undertaking, agreement or instrument which would constitute Debt), (B) is directly or indirectly liable or (C) constitutes the lender and (ii) no default with respect to which (including any rights which the holders thereof may have to take enforcement action against the assets of a Non-Recourse Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of such Person or its Recourse Subsidiaries to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity.

'Non-Recourse Subsidiary' of any Person means a Subsidiary (A) which has been designated as such by the Board of Directors of such Person, (B) which has not acquired any assets directly or indirectly from GAF, the Company or any of its Subsidiaries other than at fair market value, including by the receipt of Capital Stock of such Non-Recourse Subsidiary, provided, however, that if any such acquisition or series of related acquisitions involves assets having a value in excess of \$2,000,000, such acquisition or series of related acquisitions shall be approved by a majority of the members of the Board of Directors of the Company in a Board Resolution which shall set forth that such acquisitions are being, or have been, made at fair market value, and (C) which has no Debt other than Non-Recourse Debt. Subsidiaries of Non-Recourse Subsidiaries shall be deemed Non-Recourse Subsidiaries.

'Obligations' means (a) the full and punctual payment of the principal of, and interest on, the Notes when due, whether at maturity, by acceleration, by redemption or otherwise, and all other monetary obligations of the Company under the Indenture and the Notes and (b) the full and punctual performance of all other obligations of the Company under the Indenture and the Notes.

'Permitted Holders' means (i) Samuel J. Heyman, his heirs, administrators, executors and entities of which a majority of the Voting Stock is owned by Samuel J. Heyman, his heirs, administrators or executors and (ii) any Person controlled, directly or indirectly, by Samuel J. Heyman or his heirs, administrators or executors.

'Permitted Lien' means:

- (1) Liens for taxes, assessments and governmental charges to the extent not required to be paid under the Indenture;
- (2) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by an appropriate process of law, and for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;
- (3) pledges or deposits in the ordinary course of business to secure lease obligations or non-delinquent obligations under workers' compensation, unemployment insurance or similar legislation;
- (4) Liens to secure the performance of public statutory obligations that are not delinquent, appeal bonds, performance bonds or other obligations of a like nature (other than for borrowed money);
- (5) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of the Company and its Subsidiaries taken as a whole;
- (6) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of nondelinquent customs duties in connection with the importation of goods;
- (7) judgment and attachment Liens not giving rise to a Default or Event of Default;
- (8) leases or subleases granted to others not interfering in any material respect with the business of the Company and its Subsidiaries, taken as a whole;
- (9) Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or its Subsidiaries for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made;
- (10) any interest or title of a lessor in the property subject to any lease, whether characterized as capitalized or operating other than any such interest or title resulting from or arising out of default by the Company or any of its Subsidiaries of its obligations under any such lease which is material;
- (11) Liens arising from filing UCC financing statements for precautionary purposes in connection with true leases or conditional sales of personal property that are otherwise permitted under the Indenture and under which the Company or any of its Subsidiaries is lessee;
- (12) broker's Liens securing the payment of commissions and management fees in the ordinary course of business;
- (13) Liens on cash and Cash Equivalents posted as margin pursuant to the requirements of any bona fide hedge agreement relating to interest rates, foreign exchange or commodities listed on public exchanges, but only to the extent such Liens are required from customers generally (regardless of creditworthiness) in accordance with customary market practice;
- (14) Liens on cash collateralizing reimbursement obligations in respect of letters of credit issued for the account of the Company or any of its Subsidiaries in the ordinary course of business (other than letters of credit issued as credit support for any Debt);

(15) Liens arising in respect of accounts receivable arising as a result of non-recourse sales thereof;

(16) Liens arising by reason of consignment sales of inventory in the ordinary course of business; and

(17) Liens on stock or assets of any Non-Recourse Subsidiary securing Debt owing by such Non-Recourse Subsidiary.

'Person' means any individual, corporation, partnership, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

'Preferred Stock,' as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation. Preferred Stock of any Person shall include Redeemable Stock of such Person.

'Purchase Money Obligation' of any Person means any Debt secured by a Lien on assets related to the business of such Person, and any additions and accessions thereto or replacements thereof, which are purchased or constructed by such Person at any time after the Issue Date; provided, however, that (i) the aggregate outstanding principal amount of such Debt (determined on a per asset basis in the case of any additions, accessions or replacements) shall not at any time exceed 100% of the purchase price to such Person of the related assets or (ii) such Debt shall be with recourse solely to the assets so purchased or acquired, any additions and accessions thereto or replacements thereof and any proceeds therefrom.

'Ratings Event' means any of the following:

(i) the rating of ISP's Long-Term Debt being below Baa3 (in the case of the rating by Moody's) and below BB+ (in the case of the rating by S&P); or

(ii) at any time that ISP's Long-Term Debt is rated below Baa3 by Moody's, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrade below BB+ by S&P; or

(iii) at any time that ISP's Long-Term Debt is rated below BB+ by S&P, the rating of ISP's Long-Term Debt being placed on credit watch for a ratings downgrade below Baa3 by Moody's.

'Recourse Subsidiaries,' of any Person, means all Subsidiaries of such Person other than Non-Recourse Subsidiaries of such Person.

'Redeemable Stock' means, with respect to any Person, Capital Stock of such Person that by its terms or otherwise (x) is required, directly or indirectly, to be redeemed on or prior to the ninetieth day after the Stated Maturity of the applicable Notes, (y) is redeemable or puttable, directly or indirectly, at the option of the holder thereof at any time on or prior to the ninetieth day after the Stated Maturity of the applicable Notes, or (z) is exchangeable or convertible into another security (other than a security that is not itself

Redeemable Stock).

'Refinance' means, in respect of any Debt, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue Debt in exchange or replacement for, such Debt. 'Refinanced' and 'Refinancing' shall have correlative meanings.

'Refinancing Debt' means Debt Issued to Refinance, any other Debt; provided, however, that (i) the amount of the Debt so Issued shall not exceed the principal amount or the accreted value (in the case of Debt Issued at a discount) of the Debt so Refinanced plus, in each case, the reasonable costs incurred by the issuer in connection with such Refinancing, (ii) the Average Life and Stated Maturity of the Debt so Issued shall equal or exceed that of the Debt so Refinanced, (iii) the Debt so Issued shall not rank senior in right of payment to the Debt being Refinanced, (iv) if the Debt being Refinanced does not bear interest in cash prior to a specified date, the Refinancing Debt shall not bear interest in cash prior to such specified date, (v) if the Debt being Refinanced is a Purchase Money Obligation, the Refinancing Debt shall not be secured by any assets not securing the Debt so Refinanced or improvements or additions thereto, or replacements thereof, and (vi) the obligors with respect to the Refinancing Debt shall not include any persons who were not obligors (including predecessors thereof) with respect to the Debt being Refinanced.

'Restricted Investment' means, with respect to the Company or any of its Subsidiaries, an Investment by such Person in an Affiliate of the Company; provided, however, that the following shall not be Restricted Investments:

(a) any Investment by the Company or any ISP Subsidiary in any Unrestricted Affiliate; and

(b) any Investment by the Company or any of its Subsidiaries in (x) the Company or any of its Recourse Subsidiaries or (y) any such Affiliate that becomes, as a result of such Investment, a Recourse Subsidiary of the Company.

'Restricted Payment' means (i) the declaration or making of any dividend or of any other payment or distribution (other than dividends, payments or distributions payable solely in shares of the Company's Capital Stock other than Redeemable Stock) on or with respect to the Company's Capital Stock (other than Redeemable Stock) and (ii) any payment on account of the purchase, redemption, retirement or other acquisition for value of the Company's Capital Stock (other than Redeemable Stock); provided, however, that the Linden Dividend shall not be deemed to be a Restricted Payment.

'Restricted Security' has the meaning set forth in Rule 144(a)(3) under the Securities Act.

'S&P' means Standard & Poor's Rating Services or its successor.

'Securities Act' means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission thereunder.

'Significant Subsidiary' means (i) any Recourse Subsidiary of the Company which at the time of determination either (A) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 5% of the Company's total assets on a consolidated basis as of such date, in each case determined in accordance with GAAP, or (B) had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 5% of the Company's total revenues on a consolidated basis for such period, or (ii) any Recourse Subsidiary of the Company which, if merged with all Defaulting Subsidiaries (as defined below) of the Company, would at the time of determination either (A) have had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, would have constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (B) have had revenues for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which would have constituted at least 10% of the Company's total revenues on a consolidated basis for such period (each such determination being made in accordance with GAAP). 'Defaulting Subsidiary' means any Recourse Subsidiary of the Company with respect to which an event described under clause (6), (7), or (8) under 'Events of Default' has occurred and is continuing.

'Specified Agreements' means (i) the Tax Sharing Agreements (but, after a company leaves the applicable consolidated group, only with respect to the indemnities that survive thereunder), (ii) the Existing Management Agreement and

the New Management Agreement, (iii) the Granules Contracts and (iv) the Indemnification Agreement and other similar indemnification agreements in effect prior to the Issue Date.

'Specified Subsidiaries' means Subsidiaries of the Company other than ISP Subsidiaries.

'Spin Off' means the consummation of the transactions described under '--The Spin Off Transactions,' substantially on the terms described therein.

'Stated Maturity' when used with respect to any Senior Note or any installment of interest thereon, means the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest is due and payable, and when used with respect to any other Debt, means the date specified in the instrument governing such Debt as the fixed date on which the principal of such Debt or any installment of interest is due and payable.

'Subsidiary' means, with respect to any Person at any time of determination, (i) a corporation a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, one or more Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of

determination thereof has at least majority ownership interest and the power to direct the policies, management and affairs thereof. For purposes of this definition, any director's qualifying shares or investments by foreign nationals mandated by applicable law shall be disregarded in determining the ownership of a Subsidiary.

'Tax Sharing Agreements' means, collectively, the tax sharing agreements described under 'Tax Sharing Agreement.'

'TIA' means the Trust Indenture Act of 1939, as amended, as in effect on the date hereof.

'Treasury Yield' means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two business days prior to the applicable redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar data)) most nearly equal to the then remaining Average Life of the applicable Notes; provided, however, that if the Average Life of such Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the average life of such Notes is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one

year shall be used.

'Unrestricted Affiliate' means any Person (other than any Subsidiary of the Company) controlled (as defined in the definition of 'Affiliate') by the Company in which no Affiliate of the Company (other than (i) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries, (ii) any director or officer of the Company or any of its Subsidiaries (so long as such Person is not also a director or officer of GAF or any of its Affiliates (other than the Company and its Subsidiaries, except for Non-Recourse Subsidiaries in which GAF has an interest other than through the Company)) and (iii) another Unrestricted Affiliate under this paragraph (a)) has an Investment.

'U.S. Government Obligations' means money or direct non-callable obligations of the United States of America for the payment of which the full faith and credit of the United States is pledged.

'USI' means U.S. Intec, Inc., a Texas corporation, and its successors.

'Voting Stock' means, with respect to any Person, Capital Stock of any class or kind normally entitled to vote in the election of the board of directors or other governing body of such Person.

'Wholly-Owned Recourse Subsidiary' of any Person means a Wholly-Owned Subsidiary of such Person that is a Recourse Subsidiary of such Person.

'Wholly-Owned Subsidiary' means a Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned by the applicable corporation or another Wholly-Owned Subsidiary of the applicable corporation.

CERTAIN CALCULATIONS

All financial calculations shall be made as if the Spin Off occurred as of the Issue Date.

CERTAIN COVENANTS

Each Indenture contains, among others, the following covenants:

Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries. (a) The Company shall not Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Company for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) The Company shall not permit any ISP Subsidiary (so long as such ISP Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii)

the Consolidated EBITDA Coverage Ratio of ISP for the period of its most recently completed four consecutive fiscal quarters ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(c) Notwithstanding the foregoing, the Company and ISP Subsidiaries may Issue the following:

(1) Debt Issued pursuant to the Credit Agreement or any Refinancing Debt thereof in an aggregate principal amount outstanding at any time not to exceed \$500,000,000;

(2) Debt or Preferred Stock of the Company or any of its Subsidiaries Issued to and held by (i) ISP or any of its Wholly-Owned Recourse Subsidiaries, or (ii) the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any subsequent transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) any Wholly-Owned Recourse Subsidiary of ISP or of the Company that holds such Debt or Preferred Stock ceasing to be a Wholly-Owned Recourse Subsidiary of ISP or of the Company, as the case may be, shall be deemed, in each case, to constitute the Issuance of such Debt or such Preferred Stock by the Company or such ISP Subsidiary, as the case may be;

(3) Purchase Money Obligations, including Refinancing Debt thereof, in an aggregate amount outstanding at any time not to exceed \$30,000,000;

(4) Acquired Debt;

(5) Debt outstanding on the Issue Date (including, without limitation, the Old Notes) and the New Notes;

(6) Refinancing Debt Issued to Refinance any Debt permitted by clauses (2)-(5) above;

(7) Non-Recourse Debt of a Non-Recourse Subsidiary of ISP and (y) Guarantees of Non-Recourse Debt of any Non-Recourse Subsidiary of ISP which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary;

(8) Preferred Stock (other than Redeemable Stock) of the Company;

(9) so long as no Default or Event of Default has occurred and is continuing and no Ratings Event has occurred and is continuing, Debt of any ISP Subsidiary; and

(10) Debt (other than Debt described in clauses (1) through (7) and (9) above) in an aggregate principal amount outstanding at any time not to exceed \$50,000,000.

(d) To the extent the Company or any ISP Subsidiary Guarantees any Debt of the Company or any ISP Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If the Company or an ISP Subsidiary Guarantees any Debt of a Person that, subsequent to the Issuance of such Guarantee, becomes an ISP Subsidiary,

such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Limitation on Debt and Preferred Stock of Specified Subsidiaries. (a) The Company shall not permit any Specified Subsidiary (so long as such Specified Subsidiary is a Subsidiary of the Company) to Issue, directly or indirectly, any Debt or any Preferred Stock unless, at the time of such Issuance and after giving effect thereto, (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Consolidated EBITDA Coverage Ratio of the Specified Subsidiaries (determined on a combined basis) for its most recently completed four consecutive fiscal quarter period ending at least 45 days prior to the date such Debt is Issued is at least 2.00 to 1.00.

(b) Notwithstanding the foregoing, Specified Subsidiaries may Issue the following:

(1) Debt or Preferred Stock of any Specified Subsidiary Issued to and held by any Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or the Company or any of its Wholly-Owned Recourse Subsidiaries; provided, however, that (x) any transfer of such Debt or such Preferred Stock to any Person not permitted by the foregoing or (y) such Wholly-Owned Recourse Subsidiary ceasing to be a Wholly-Owned Recourse Subsidiary of such Specified Subsidiary or of the Company, as the case may be, shall, in each

case, be deemed to constitute the Issuance of such Debt or such Preferred Stock by such Specified Subsidiary;

(2) Purchase Money Obligations in an aggregate amount outstanding at any time not to exceed \$50,000,000;

(3) Acquired Debt;

(4) Debt outstanding on the Issue Date;

(5) Refinancing Debt Issued to Refinance any Debt permitted by clauses

(1)-(4) above;

(6) (x) Non-Recourse Debt of a Non-Recourse Subsidiary of any Specified Subsidiary and (y) Guarantees of Non-Recourse Debt of Non-Recourse Subsidiaries which Guarantees are recourse only to the stock of such Non-Recourse Subsidiary; and

(7) Debt (other than Debt described in clauses (1)-(6) above) in an aggregate principal amount outstanding at any time not to exceed \$50,000,000.

(c) To the extent any Specified Subsidiary Guarantees any Debt of any other Specified Subsidiary, such Guarantee and such Debt will be deemed to be the same Debt and only the amount of the Debt will be deemed to be outstanding. If a Specified Subsidiary Guarantees any Debt of a Person that, subsequent to the

Issuance of such Guarantee, becomes a Specified Subsidiary, such Guarantee and the Debt so Guaranteed shall be deemed to be the same Debt which shall be deemed to have been Issued when the Guarantee was Issued and shall be deemed to be permitted to the extent the Guarantee was permitted when Issued.

Prohibition on Debt and Capital Stock of Intermediate Parents of ISP. Notwithstanding paragraphs (a) and (b) of the 'Limitation on Debt and Preferred Stock of Specified Subsidiaries' covenant the Company shall not permit any of its Subsidiaries (other than, subject to the 'Limitation on Debt and Preferred Stock of the Company and ISP Subsidiaries' covenant, ISP Subsidiaries) that, directly or indirectly, owns any Capital Stock or Debt of any ISP Subsidiary to Issue any Debt or Capital Stock other than Debt or Capital Stock Issued to and held by (x) so long as ISP is a Recourse Subsidiary of the Company, ISP or any of its Wholly-Owned Recourse Subsidiaries or (y) the Company.

Limitation on Restricted Payments and Restricted Investments. (a) The Company shall not make, and shall not permit any of its Subsidiaries to make, directly or indirectly, any Restricted Payment or Restricted Investment at any time on or after the Issue Date if, at the time of such Restricted Payment or Restricted Investment or immediately after giving effect thereto:

(1) a Default or an Event of Default shall have occurred and be continuing;

(2) the Company is not able to incur at least \$1.00 of additional Debt under paragraph (a) of the 'Limitation on Debt and Capital Stock of the Company and ISP Subsidiaries' covenant; or

(3) the aggregate amount of Restricted Payments made since June 30, 1996 (the 'Applicable Date') and the aggregate amount of Restricted Investments made since the Applicable Date and then outstanding (the amount expended for such purposes, if other than in cash, shall be the fair market value of such property as determined by the Board of Directors of the Company in good faith as of the date of payment or investment) shall exceed the sum of:

(i) 50% of the cumulative Consolidated Net Income (or minus 100% of the cumulative Consolidated Net Loss) of the Company accrued during the period beginning on the Applicable Date and ending on the last day of the fiscal quarter for which financial information has been made publicly available by the Company but ending no more than 135 days prior to the date of such Restricted Payment or Restricted Investment (treating such period as a single accounting period);

(ii) 100% of the net cash proceeds, including the fair market value of property other than cash as determined by the Board of Directors of the Company in good faith, as evidenced by a Board Resolution, received by the Company from any Person (other than a Subsidiary of the Company) from the Issuance and sale subsequent to the Applicable Date of Capital Stock of the Company (other than Redeemable Stock) or as a capital contribution;

(iii) 100% of the net cash proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the exercise of options or warrants on Capital Stock of the Company (other than Redeemable Stock);

(iv) 100% of the net cash proceeds received by the Company from the conversion into Capital Stock (other than Redeemable Stock) of convertible Debt or convertible Preferred Stock issued and sold (other than to a Subsidiary of the Company) since the Applicable Date; and

(v) \$30,000,000.

The designation by the Company or any of its Subsidiaries of a Subsidiary as a Non-Recourse Subsidiary shall be deemed to be the making of a Restricted Investment by the Company in an amount equal to the outstanding Investments made by the Company and its Subsidiaries in such person being designated a Non- Recourse Subsidiary at the time of such designation.

(b) The foregoing paragraph (a) shall not prevent the following, as long as no Default or Event of Default shall have occurred and be continuing (or would result therefrom other than pursuant to paragraph (a)):

(1) the making of any Restricted Payment or Restricted Investment within 60 days after (x) the date of declaration thereof or (y) the making of a binding commitment in respect thereof; provided that at such date of declaration or commitment such Restricted Payment or Restricted Investment complied with paragraph (a); or

(2) any Restricted Payment or Restricted Investment made out of the net cash proceeds received by the Company from the substantially concurrent sale of its Common Stock (other than to a Subsidiary of the Company); provided, however, that such net cash proceeds so utilized shall not be included in paragraph (a)(3) in determining the amount of Restricted Payments or Restricted Investments the Company could make under paragraph

(a), and Restricted Payments or Restricted Investments made pursuant to this clause (2) shall not be included in determining the amount of Restricted Payments or Restricted Investments made or then outstanding under paragraph (a)(3); or

(3) repurchases of Capital Stock of the Company, in each case from employees of the Company or any of its Subsidiaries (other than any Permitted Holder); provided, however, that the aggregate amount of Restricted Payments made under this clause shall not exceed \$3,000,000 in any fiscal year; provided, further, however, that the amount of Restricted Payments made pursuant to this clause (3) shall not be included in determining the amount of Restricted Payments made under paragraph (a)(3).

Limitation on Liens. (a) The Company shall not, and shall not permit any of its Specified Subsidiaries to, directly or indirectly, incur or suffer to exist any Liens (other than Permitted Liens) upon their respective properties or assets whether owned on the Issue Date or acquired after such date, or on any income or profits therefrom, other than the following:

(1) Liens securing intercompany Debt permitted by paragraph (b)(1) under the 'Limitation on Debt and Capital Stock of Specified Subsidiaries' covenant;

(2) Liens existing on the Issue Date;

(3) Purchase money Liens on assets of the Company and its Specified Subsidiaries or improvements or additions thereto existing or created within 180 days after the time of acquisition of or improvement or addition to such assets, or replacements thereof; provided that (i) such acquisition, improvement or addition is otherwise permitted by the applicable Indenture, (ii) the principal amount of Debt (including Debt in respect of Capitalized Lease Obligations) secured by each such Lien in each asset shall not exceed the cost (including all such Debt secured thereby, whether or not assumed) of the item subject thereto, and such Liens shall attach solely to the particular item of property so acquired, improved or added, and any additions or accessions thereto, or replacements thereof, and (iii) the aggregate amount of Debt secured by Liens permitted by this clause (3) shall not at any one time exceed \$50,000,000;

(4) Liens securing Acquired Debt; provided, however, that (i) any such Lien secured the Acquired Debt at the time of the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries and such Lien and Acquired Debt were not incurred by the Company or any of its Specified Subsidiaries or

by the Person being acquired or from whom the assets were acquired in connection with, or in anticipation of, the incurrence of such Acquired Debt by the Company or by one of its Specified Subsidiaries, and (ii) any such Lien does not extend to or cover any property or assets of the Company or of any of its Specified Subsidiaries other than the property or assets that secured the Acquired Debt prior to the time such Debt became Acquired Debt of the Company or of one of its Specified Subsidiaries;

(5) Liens to secure Refinancing of any Debt secured by Liens described in clauses (1)-(4) above and (6) below; provided that (i) the Refinancing does not increase the principal amount of Debt being so Refinanced and (ii) the Lien of the Refinancing Debt does not extend to any asset not securing the Debt being Refinanced or improvements or additions thereto, or replacements thereof; and

(6) Liens on assets of the Company and its Specified Subsidiaries (other than the Liens described above), provided that such Liens only secure Debt of the Company and its Specified Subsidiaries in an aggregate amount not to exceed at any one time outstanding \$50,000,000.

Prohibition on Certain Transactions. The Company shall not, and shall not permit any of its Subsidiaries to, enter, directly or indirectly, into, or suffer to exist, any transaction or series of transactions (including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service) with GAF or any of its Subsidiaries. The foregoing shall not prohibit any transaction permitted by

paragraph (b)(5) or (c) under the 'Limitation on Transactions with Affiliates' covenant.

Limitation on Transactions with Affiliates. (a) The Company shall not enter, and shall not permit any of its Subsidiaries to enter, directly or indirectly, into any transaction or series of related transactions with any Affiliate of the Company, including, without limitation, any loan, advance or investment or any purchase, sale, lease or exchange of property or the rendering of any service, unless the terms of such transaction or series of transactions are set forth in writing and at least as favorable as those available in a comparable transaction in arms-length dealings from an unrelated Person; provided, however, that (i) if any such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of \$2,000,000, such transaction or series of related transactions shall be approved (and the value of any non-cash consideration shall be determined) by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions; and (ii) in the event that such transaction or series of related transactions (other than any purchase or sale of inventory in the ordinary course of business) involves aggregate payments or other consideration in excess of \$20,000,000 (with the value of any non-cash consideration being determined by a majority of those members of the Board of Directors of the Company or such Subsidiary, as the case may be, having no personal stake in such business, transaction or transactions), the Company or such Subsidiary, as the case may be, shall have also received a written opinion from a nationally recognized investment banking firm that such transaction or series of related transactions are fair to the shareholders, in their capacity as such, of the Company or such Subsidiary from a financial point of view and such opinion has been delivered to the Trustee; provided, further, in the event that the Board of Directors of the Company or the Subsidiary, as the case may be, proposing to engage in a transaction or series of related transactions described in the preceding proviso does not have any members having no personal stake in such business, transaction or transactions, the Company or such Subsidiary may enter into such transaction or series of transactions if the Company or such Subsidiary, as the case may be, shall have received the written opinion of a nationally recognized investment banking firm that the terms thereof, from a financial point of view, are fair to the shareholders of the Company or such Subsidiary, in their capacity as such (the determination as to the value of any non-cash consideration referred to in the preceding proviso to be made by such investment banking firm), and such opinion shall have been delivered to the Trustee.

(b) The foregoing paragraph (a) shall not prevent the following:

(1) any transaction between a Subsidiary of the Company and its own employee stock ownership or benefit plan;

(2) any transaction with an officer or director of the Company or any of its Subsidiaries entered into in the ordinary course of business (including compensation or employee benefit arrangements with any such officer or director);

- (3) any business or transaction by an ISP Subsidiary or the Company with an Unrestricted Affiliate;
- (4) transactions permitted by the 'Limitation on Investments in Non-Recourse Subsidiaries by ISP Subsidiaries' covenant;
- (5) payments made or actions taken pursuant to any of the Specified Agreements (or any new agreement referred to in paragraph (c) below), as any such Specified Agreement (or new agreement) is, subject to paragraph (c) below, amended, modified, extended or waived from time to time;
- (6) the making of a Restricted Payment or Restricted Investment otherwise permitted by paragraph (a) of the 'Limitation on Restricted Payments and Restricted Investments' covenant or those transactions specifically permitted by paragraph (b) of the 'Limitation on Restricted Payments and Restricted Investments' covenant;
- (7) (i) transactions between or among Non-Recourse Subsidiaries of ISP, and (ii) transactions between or among Non-Recourse Subsidiaries of any Specified Subsidiary; or
- (8) (i) so long as ISP is a Recourse Subsidiary of the Company, transactions between or among ISP, its Recourse Subsidiaries and the Company, and (ii) transactions between or among any Specified Subsidiary and its Recourse Subsidiaries.

(c) The Company will not, and will not permit any of its Subsidiaries to amend, modify, extend or waive any provision of any of the Specified Agreements in any manner which is significantly adverse to the Company or the Holders (it being understood that an extension or modification of either of the Granules Contracts (or any similar granules purchase contract) on terms at least as favorable to the Company as those available at the time of the extension or modification (or any such new agreement) in a comparable transaction in arms-length dealings with an unrelated Person shall not be deemed significantly adverse to the Company or the Holders).

Limitation on Investments in Non-Recourse Subsidiaries by ISP Subsidiaries. The Company shall not, and shall not permit any ISP Subsidiary (so long as such ISP Subsidiary is a Subsidiary of the Company) to, make Investments in Non-Recourse Subsidiaries of ISP if, after giving effect thereto, the cumulative aggregate amount (the amount so expended, if other than in cash, to be determined by the Board of Directors of ISP, as evidenced by a Board Resolution) of such Investments, as of the date of the Investment, made by the Company and ISP Subsidiaries would exceed 20% of the Consolidated Net Worth of ISP.

Limitation on Dividend and Other Payment Restrictions Affecting Subsidiaries. The Company shall not, and shall not permit any of its Recourse Subsidiaries to, directly or indirectly, create or otherwise cause to exist or become effective any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on its Capital Stock or pay any Debt owed to the Company or any of its Subsidiaries, (b) make loans or advances to, or Issue any Guarantee for the benefit of, the Company or

any of its Subsidiaries, (c) transfer any of its properties or assets to the Company or any of its Subsidiaries or (d) incur or suffer to exist Liens in favor of the Holders, except for such encumbrances or restrictions existing under or by reason of the following:

- (1) applicable law;
- (2) the Indentures;
- (3) customary provisions restricting subletting or assignment of any lease or license or other commercial agreement;
- (4) any instrument governing Acquired Debt of any Person, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than such Person and its Subsidiaries, or the property or assets of such Person and its Subsidiaries, so acquired;
- (5) Liens specifically permitted by the 'Limitation on Liens' covenant; provided that such Liens and the terms governing such Liens do not, directly or indirectly, restrict the Company or its Subsidiaries from granting other Liens, except as to the assets subject to such Liens;
- (6) the Credit Agreement or other Debt existing on the Issue Date and any Refinancing of the Credit Agreement or any such other Debt; provided that the terms and conditions of any such Refinancing

agreements relating to the terms described under clauses (a)-(d) above are no less favorable to the Company and its Subsidiaries than those contained in the agreements governing the Debt being Refinanced; and

(7) covenants contained in agreements governing Debt of ISP Subsidiaries; provided, however, that such covenants shall not prohibit the ISP Subsidiaries from, directly or indirectly, paying dividends or making loans or advances to the Company in an aggregate amount less than the positive difference, if any, between (i) the sum of (A) \$25,000,000 and (B) 50% of the cumulative Consolidated Net Income (or minus 100% of the Consolidated Net Loss) of ISP for the period beginning on the first day of the fiscal quarter during which such Debt was issued, and (ii) the aggregate amount of Restricted Payments and Restricted Investments made by ISP Subsidiaries since such date.

Limitation on Asset Sales. (a) The Company shall not, and shall not permit any of its Subsidiaries, directly or indirectly, to consummate an Asset Sale unless:

(1) the Company or such Subsidiary, as the case may be, receives consideration (including non-cash consideration, whose fair market value shall be determined in good faith by the Board of Directors of the Company or such Subsidiary, as evidenced by a Board Resolution) at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by the Board of

Directors, as evidenced by a Board Resolution);

(2) at least 75% of the consideration received by the Company or such Subsidiary, as the case may be, shall be cash or Cash Equivalents; provided, however, that this clause (2) shall not prohibit any Asset Sale for which the Company or such Subsidiary, as the case may be, receives 100% of the consideration, directly or through the acquisition of Capital Stock of a Person, in operating assets; and

(3) in the case of an Asset Sale by the Company or any of its Subsidiaries, the Company or such Subsidiary, as the case may be, shall apply the Net Cash Proceeds of such Asset Sale within one year of receipt thereof, (i) to invest in the businesses that the Company and its Recourse Subsidiaries are engaged in at the time of such Asset Sale or any like or related business, (ii) to pay or satisfy Debt or Preferred Stock of the Company or such Subsidiary, as the case may be, and/or (iii) to offer to purchase the Notes (on a pro rata basis) in a tender offer at a redemption price equal to 100% of the principal thereof plus accrued interest thereon to the date of redemption; provided, however, that the Company may defer making any such offer until the aggregate Net Cash Proceeds from Asset Sales to be applied pursuant to clause (3)(iii) equal or exceed \$20,000,000; provided, further, however, that (i) the Company and its Subsidiaries may retain up to \$5,000,000 of Net Cash Proceeds from Asset Sales in any twelve-month period (without complying with clause (3)), and (ii) any Asset Sale that would result in a Change of Control shall not be governed by this covenant but shall be governed by the provisions described under 'Change of Control Put and Call.'

Investment Company Act. The Company shall not take any action that would require it or any of its Subsidiaries to register as an investment company under the Investment Company Act of 1940.

Securities and Exchange Commission Reports. At all times from and after the earlier of (i) the date of the commencement of the Exchange Offers or the effectiveness of the Shelf Registration Statement contemplated by the Registration Rights Agreements and (ii) the date that is six months after the Issue Date, in either case, whether or not the Company is then required to file reports with the Commission, the Company shall file with the Commission all such reports and other information as would be required to be filed with the Commission under the Exchange Act. The Company shall supply to each Holder and to any other Person who reasonably requests in writing, without cost, copies of such reports or other information. In addition, the Company shall, at its cost, deliver to each Holder, and a prospective purchaser designated by such Holder, from and after the earlier of the dates referred to in clauses (i) and (ii) above, quarterly and annual reports substantially equivalent to those which would be required under the Exchange Act if at the time of such request the Company is not a reporting company under Section 13 or Section 15(d) of the Exchange Act. The Company also will comply with the other provisions of TIA Section 314(a).

So long as any of the Notes remain outstanding, the Company shall cause each annual, quarterly and other financial report mailed or otherwise furnished by it generally to public stockholders to be filed with the Trustee and mailed to the Holders at their addresses appearing in the register of Notes maintained

by the Registrar, in each case at the time of such mailing or furnishing to such stockholders.

MERGER, ETC.

The Company shall not consolidate with or merge with or into or sell, assign, transfer or lease all or substantially all of its properties and assets (either in one transaction or series of related transactions) to any Person, unless:

- (1) the Company shall be the continuing Person, or the resulting, surviving or transferee Person (if other than the Company) shall be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture, and the Indenture shall remain in full force and effect;
- (2) immediately before and immediately after giving effect to such transaction (and treating any Debt which becomes an obligation of the resulting, surviving or transferee Person or any of its Subsidiaries as a result of such transaction as having been issued by such Person or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and
- (3) immediately after giving effect to such transaction, the resulting, surviving or transferee Person shall have a Consolidated Net Worth in an amount which is not less than the Consolidated Net Worth of the Company immediately prior to such transaction.

In connection with any consolidation, merger, sale, assignment, transfer or lease contemplated by this covenant, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, transfer or lease and the supplemental indenture in respect thereto comply with this covenant and that all conditions precedent herein provided for relating to such transaction have been complied with.

Upon any consolidation or merger or any sale, assignment, transfer or lease of all or substantially all of the assets of the Company in accordance with the foregoing provisions, the successor corporation formed by such consolidation or into which the Company is merged or to which such sale, assignment, transfer or lease is made, shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indentures, with the same effect as if such successor corporation had been named as the Company therein, and, except in the case of a lease, the Company will be discharged from all obligations and covenants under the Indentures and the Notes.

EVENTS OF DEFAULT

An 'Event of Default' occurs under an Indenture if:

- (1) the Company defaults in the payment of interest on, or Additional Interest (if any) with respect to, any Note issued pursuant to such Indenture when the same becomes due and payable and the default continues for a period of 30 days;
- (2) (i) the Company defaults in the payment of the principal of any Note issued pursuant to such Indenture when the same becomes due and payable at maturity or otherwise or (ii) the Company fails to redeem or repurchase Notes issued pursuant to such Indenture when required pursuant to such Indenture or the Notes;
- (3) the Company fails to comply with the provisions described under 'Merger, Etc.' contained in such Indenture;
- (4) the Company fails to comply for 30 days after notice with any of its obligations under 'Change of Control Put and Call' and 'Certain Covenants' contained in such Indenture;
- (5) the Company fails to comply for 60 days after notice with its other agreements contained in the Indenture or the Notes issued pursuant to such Indenture (other than those referred to in clauses (1)-(4) above);

(6) Debt of the Company or any Significant Subsidiary is not paid within any applicable grace period or is accelerated by the holders thereof because of a default and the total principal amount of the portion of such Debt that is unpaid or accelerated exceeds \$15,000,000 or its foreign currency equivalent and such default continues for 5 days after notice;

(7) the Company or any of its Significant Subsidiaries (A) admits in writing its inability to pay its debts generally as they become due, (B) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (C) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (D) consents to the appointment of a Custodian of it or for substantially all of its property, (E) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it, (F) makes a general assignment for the benefit of its creditors, or (G) takes any corporate action to authorize or effect any of the foregoing; and

(8) any judgment or order for the payment of money in excess of \$15,000,000 in the aggregate is rendered against the Company or any Significant Subsidiary of the Company and (i) there is a period of 60 days following the entry of such judgment or order during which such judgment or order is not discharged, waived or the execution thereof stayed and such default continues for 10 days after the notice specified below or (ii) foreclosure proceedings therefor have begun and have not been stayed within five days of the commencement of such foreclosure proceeding.

A Default under clauses (4), (5), (6) or (8) is not an Event of Default until the Trustee or the Holders of at least 25% in aggregate principal amount

of the outstanding issue of Notes issued pursuant to the applicable Indenture notify the Company in writing of the Default, and the Company does not cure the Default within the time specified in such clause after receipt of such notice. Such notice shall be given by the Trustee if so requested in writing by the Holders of at least 25% in aggregate principal amount of such outstanding Notes. When a Default under clause (4), (5), (6) or (8) is cured or remedied within the specified period, it ceases to exist.

If an Event of Default (other than an Event of Default with respect to the Company specified in clause (7) above) occurs and is continuing, the Trustee, by written notice to the Company, or the Holders of at least 25% in aggregate principal amount of such outstanding issue of Notes issued pursuant to the applicable Indenture, by written notice to the Company and the Trustee, may declare the principal of and accrued interest on all such Notes then outstanding to be due and payable (the 'Default Amount'). Upon a declaration of acceleration, such amount shall be due and payable immediately.

If an Event of Default with respect to the Company specified in clause (7) above occurs, the Default Amount shall ipso facto become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of a majority in aggregate principal amount at maturity of the applicable issue of Notes then outstanding, by written notice to the Trustee and the Company, may rescind an acceleration with respect to such Notes and its consequences if (i) all existing Defaults and Events of Default, other than the non-payment of the principal of such Notes which has become due solely by such declaration of acceleration, have been cured or waived, (ii) to the extent the payment of such interest is lawful, interest on overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid and (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Notwithstanding any other provision of the applicable Indenture, if an Event of Default occurs and is continuing and the Holders are entitled to payment as a result of acceleration, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of and/or interest on the applicable issue of Notes or to enforce the performance of any provision of such Notes or the applicable Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Subject to certain provisions of the applicable Indenture, the Holders of a majority in aggregate principal amount of the outstanding Notes governed thereby by notice to the Trustee may waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in payment of principal or interest on any Note as specified in clauses (1) and (2) above. When a

Default or Event of Default is waived, it is cured and ceases to exist.

The Holders of a majority in aggregate principal amount of the applicable issue of Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or the applicable Indenture or that the Trustee determines may be unduly prejudicial to the rights of another Holder as such, or that may subject the Trustee to personal liability. The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

A Holder may not pursue any remedy with respect to an Indenture or the Notes except under specified circumstances.

If a Default occurs under an Indenture and is continuing and if it is known to the Trustee, the Trustee shall mail to each Holder of Notes issued thereunder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of the principal of or interest on any Note, the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that the withholding of such notice is in the interests of the Holders of the applicable Notes.

DISCHARGE; DEFEASANCE

When (i) the Company delivers to the Trustee all outstanding Notes issued under an Indenture (other than replaced Notes) for cancellation or (ii) all outstanding Notes issued under an Indenture have become due and payable, and the Company irrevocably deposits with the Trustee money sufficient to pay at maturity all such outstanding Notes, including interest thereon (other than replaced Notes), and if in either case the Company pays all other sums payable hereunder by the Company, then the Indenture governing such Notes shall, except with respect to certain matters, cease to be of further effect. The Trustee shall acknowledge satisfaction and discharge of such Indenture on demand of the Company accompanied by an officers' certificate and an opinion of counsel as to the satisfaction of all conditions to such satisfaction and discharge of such Indenture and at the cost and expense of the Company.

Subject to the provisions set forth in the applicable Indenture, the Company may at any time terminate (i) all its obligations under the Notes issued under an Indenture and the applicable Indenture ('legal defeasance'), or (ii) its obligations under certain of the covenants under such Indenture ('covenant defeasance').

The Company may exercise its legal defeasance option or its covenant defeasance option only if:

(1) the Company irrevocably deposits in trust with the Trustee money or U.S. Government Obligations for the payment of principal and interest, if any, on the applicable issue of Notes to maturity or redemption, as the case may be;

(2) the Company delivers to the Trustee a certificate from a nationally recognized firm of independent accountants expressing their

opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited money without investment will provide cash at such times and in such amounts as will be sufficient to pay principal and interest when due on all the applicable Notes to maturity or redemption, as the case may be;

(3) no Default or Event of Default has occurred and is continuing on the date of such deposit and after giving effect thereto;

(4) the deposit does not constitute a default under any other agreement binding on the Company;

(5) the Company delivers to the Trustee an opinion of counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the Investment Company Act of 1940;

(6) the Company delivers to the Trustee an opinion of counsel stating that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred, and, in the case of legal defeasance only, such opinion of counsel shall be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law; and

(7) the Company delivers to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to the defeasance and discharge of the Notes have been complied with.

Notwithstanding the foregoing provisions of this Section, the conditions set forth in the foregoing paragraphs (2), (3), (4), (5), (6) and (7) need not be satisfied so long as, at the time the Company makes the deposit described in paragraph (1), (i) no payment or bankruptcy Default under the applicable Indenture has occurred and is continuing on the date of such deposit and after giving effect thereto and (ii) either (x) a notice of redemption has been mailed providing for redemption of all the applicable Notes 30 days after such mailing and the provisions of the applicable Indenture with respect to such redemption shall have been complied with or (y) the Stated Maturity of all of the applicable Notes will occur within 30 days. If the conditions of the preceding sentence are satisfied the Company shall be deemed to have exercised its covenant defeasance option.

AMENDMENTS, SUPPLEMENTS AND WAIVERS

The Company, when authorized by resolution of its Board of Directors, and the Trustee may amend an Indenture or the Notes issued pursuant thereto with the written consent of the Holders of a majority in aggregate principal amount of the applicable issue of Notes then outstanding, and the Holders of a majority in aggregate principal amount of the applicable issue of Notes then outstanding by written notice to the Trustee may waive future compliance by the Company with any provision of such Indenture or such Notes.

Notwithstanding the foregoing, without the consent of each Holder affected, an amendment or waiver, may not:

(1) change the stated maturity of the principal of, or any installment of interest on, any Note or reduce the principal amount thereof, the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Note or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment after the stated maturity thereof (or, in the case of redemption, on or after the redemption date);

(2) reduce the percentage in principal amount of the outstanding Notes, the consent of the Holders of which is required for any supplemental indenture or the consent of such Holders is required for any waiver of compliance with provisions of the applicable Indenture or Defaults hereunder and their consequences provided for in such Indenture;

(3) modify any of the provisions relating to supplemental indentures requiring the consent of Holders or relating to the waiver of past defaults or relating to the waiver of covenants, except to increase any such percentage of outstanding Notes required for such actions or to provide that certain other provisions of the applicable Indenture cannot be modified or waived without the consent of each Holder affected thereby;

(4) waive a default in the payment of the principal of or interest on any Note or modify or waive the Company's obligation to repurchase Notes under the provisions described under 'Change of Control' or 'Certain Covenants--Limitation on Asset Sales';

(5) except as otherwise permitted by the provisions described under 'Merger, Etc.', consent to the assignment or transfer by the Company of any of its rights and obligations under the Indenture;

(6) make any change in the amendment and waiver provisions, provisions relating to waiver of past defaults or provisions relating to rights of holders to receive payment; or

(7) change the time at which any Note must be redeemed or repaid in accordance with the terms of the applicable Indenture and the Notes.

It shall not be necessary for the consent of the Holders to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof. Any amendment, waiver or consent shall be deemed effective upon receipt by the Trustee of the necessary consents and shall not require execution of any supplemental indenture to be effective.

Except as otherwise provided above, the Holders of a majority in aggregate principal amount of the applicable issue of Notes then outstanding may waive compliance in a particular instance by the Company with any provisions of the applicable Indenture or such Notes.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any fee, interest or other amount to any Holders in connection with any consent, waiver or amendment to an Indenture or the Notes governed thereby, unless such fee, interest or other amount is offered or agreed to be paid to all Holders who are given the same opportunity to so consent, waive or agree to amend and who, in fact, so consent, waive or agree to amend.

GOVERNING LAW

The Indentures and the Notes are governed by and will be construed in accordance with, the laws of the State of New York.

FEDERAL INCOME TAX CONSIDERATIONS

The following summary of the material federal income tax consequences to tendering holders of Old Notes of (i) the exchange of Old Notes for New Notes and (ii) the ownership and disposition of New Notes, reflects the opinion of Weil, Gotshal & Manges LLP, counsel for the Company.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the 'Code'), Treasury Regulations promulgated thereunder (including temporary regulations), administrative rulings and judicial decisions now in effect, all of which are subject to change, possible with retroactive effect. This summary does not discuss all aspects of federal income taxation that may be relevant to a particular holder in light of such holder's individual investment circumstances or to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities, banks, life insurance companies, tax-exempt organizations and foreign taxpayers and persons who hold (or will hold) the Old Notes or New Notes as part of a 'straddle,' 'hedge' or 'conversion transaction'), nor does it discuss any aspect of state, local or foreign taxation. The following discussion assumes that the Old Notes and New Notes are (and will be) held by the holders thereof as 'capital assets' within the meaning of Section 1221 of the Code.

THE FOLLOWING SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATIONAL PURPOSES ONLY. ACCORDINGLY, EACH HOLDER OF OLD NOTES SHOULD CONSULT WITH SUCH HOLDER'S OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PARTICIPATION IN THE EXCHANGE OFFER, AND THE OWNERSHIP AND DISPOSITION OF NEW NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

FEDERAL INCOME TAX CONSEQUENCES OF TENDERING OLD NOTES

The exchange of Old Notes for New Notes pursuant to the Exchange Offers should not constitute an exchange for federal income tax purposes. Accordingly, the Exchange Offers should have no federal income tax consequences to holders of Old Notes. Except for the immediately succeeding paragraph, the balance of this discussion assumes that the exchange of Old Notes for New Notes will not

constitute an exchange for federal income tax purposes.

If, contrary to the above conclusion, the exchange of Old Notes for New Notes constitutes an exchange for federal income purposes, both the Old Notes and the New Notes should constitute 'securities' for federal income tax purposes (which determination generally is made by reference to the initial terms of the debt instrument, with debt instruments with initial terms of more than five years generally being treated as securities) and, thus, a holder of Old Notes should recognize no gain or loss on the consummation of the Exchange Offers.

FEDERAL INCOME TAX CONSEQUENCES OF OWNING NEW NOTES

STATED INTEREST

Interest on a New Note should be taxable to a U.S. holder as ordinary interest income at the time it accrues or is received in accordance with such holder's method of accounting for U.S. federal income tax purposes.

SALE OR REDEMPTION

The sale, exchange, redemption (including pursuant to an offer by the Company) or other disposition of New Notes generally will be a taxable event for federal income tax purposes. A holder generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of any property received upon such sale, exchange, redemption or other taxable disposition of a New Note (other than in respect of accrued interest thereon) and (ii) the holder's adjusted tax basis in such debt instrument (other than in respect of accrued interest thereon). Subject to the possible application of the market discount rules discussed below, such gain or loss will be capital gain or loss and would be long-term capital gain or loss if the New Notes were held by the holder for the applicable period at the time of such sale or other disposition.

MARKET DISCOUNT

Except as discussed below, gain recognized on the disposition of New Notes having accrued market discount will be treated as ordinary income, and not capital gain, to the extent of the accrued market discount, provided the amount of market discount thereon exceeds a de minimis amount. In general, upon the disposition of a 'market discount' bond, any gain recognized by a holder is treated as ordinary income to the extent of accrued market discount thereon. Market discount is defined generally as the excess of (i) the 'stated redemption price at maturity' of a debt obligation less any unamortized original issue discount over (ii) the tax basis of the debt obligation in the hands of the holder immediately after its acquisition.

If a holder of New Notes having accrued market discount disposes of such New Notes in any transaction other than a sale, exchange or redemption (e.g., a gift), such holder will be deemed to have realized an amount equal to the fair market value of such new Notes and will be required to recognize as ordinary income any accrued market discount thereon. See 'Sale or Redemption' above for the general consequences of a sale, exchange or redemption. Partial principal

payments (if any) on such New Notes also would be includable as ordinary income to the extent of any accrued market discount on such New Notes. A holder of New Notes having accrued market discount also may be required to defer the deduction of all or a portion of the interest on any indebtedness incurred or maintained to purchase or carry such New Notes until they are disposed of in a taxable transaction.

A holder of New Notes having accrued market discount may elect to include the market discount in income as it accrues. This election would apply to all market discount obligations acquired by the electing holder on or after the first day of the first taxable year to which the election applies and may be revoked only with the consent of the Service. If a holder of New Notes elects to include market discount in income, the above-discussed rules with respect to ordinary income recognition resulting from sale and certain other disposition transactions and to deferral of interest deductions would not apply.

BOND PREMIUM

If the initial tax basis of a holder in any New Notes exceeds the 'amount payable on maturity' (such excess being the 'bond premium'), the holder may elect to amortize the bond premium over the period from the acquisition date of such New Notes to their maturity date (or an earlier call date, if using such earlier date would result in a smaller amortization deduction) and, except as Treasury Regulations may otherwise provide, reduce the amount of interest included in income in respect of such New Notes by such amount.

A holder who elects to amortize bond premium must reduce his adjusted basis in such New Notes by the amount of such allowable amortization. An election to amortize bond premium would apply to amortizable bond premium on all taxable bonds held at or acquired after the beginning of the holder's taxable year as to which the election is made, and may be revoked subsequently only with the consent of the Service.

BACKUP WITHHOLDING

Under the Code, a holder of Old Notes or New Notes may be subject, under certain circumstances, to 'backup withholding' at a 31% rate with respect to payments of interest or the gross proceeds from the sale, exchange or redemption of such notes. This withholding generally applies only if the holder (i) fails to furnish his social security or other taxpayer identification number ('TIN') within a reasonable time after the request therefor, (ii) furnishes an incorrect TIN, (iii) fails to report properly interest or dividends, or (iv) fails, under certain circumstances, to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct number and that he is not subject to backup withholding. Any amount withheld from a payment to a holder under the backup withholding rules is allowable as a credit against such holder's federal income tax liability, provided that the required information is furnished to the Service. Holders of Old Notes and New Notes should consult their tax advisors as to their qualification for exemption from withholding and the procedure for obtaining such an exemption.

PLAN OF DISTRIBUTION

Each broker-dealer that receives New Notes for its own account pursuant to the Exchange Offers must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by all persons subject to the prospectus delivery requirements of the Securities Act, including broker-dealers in connection with resales of New 9% Notes received in exchange for Old 9% Notes and in connection with resales of New 9 3/4% Notes received for Old 9 3/4% Notes, in each case, where such Old Notes were acquired as a result of market-making activities or other trading activities. ISP Holdings has agreed that, for a period of 180 days after the Expiration Date, it will make this Prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale.

ISP Holdings will not receive any proceeds from any sale of New Notes by broker-dealers. New Notes received by broker-dealers for their own account pursuant to the Exchange Offers may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the New Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer and/or the purchasers of any such New Notes. Any broker-dealer that resells New Notes that were received by it for its own account pursuant to the Exchange Offers and any broker or dealer that participates in a distribution of such New Notes may be deemed to be an 'underwriter' within the meaning of the Securities Act and any profit on any such resale of New Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that by acknowledging that it will deliver and by delivering a prospectus meeting the requirements of the Securities Act, a broker-dealer will not be deemed to admit that it is an 'underwriter' within the meaning of the Securities Act.

For a period of 180 days after the Expiration Date, ISP Holdings will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. ISP Holdings has agreed to pay all expenses incident to the Exchange Offers (including the reasonable fees and expenses of Cahill Gordon and Reindel, counsel to Bear, Stearns & Co. Inc., the initial purchaser of the Old 9% Notes) other than commissions or concessions of any brokers or dealers and will indemnify holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters with respect to the validity of the issuance of the New Notes will be passed upon for ISP Holdings by Weil, Gotshal & Manges LLP (a limited liability partnership including professional corporations), New York, New York. Weil, Gotshal & Manges LLP has from time to time represented, and continues to represent, Bear, Stearns & Co. Inc. in connection with various legal matters. Weil, Gotshal &

Manges LLP has from time to time represented, and may continue to represent, GAF and certain of its affiliates (including G-I Holdings, ISP and BMCA) in connection with certain legal matters.

EXPERTS

The consolidated financial statements and schedules of ISP Holdings as of December 31, 1994 and 1995 and the consolidated statements of income, shareholder's equity (deficit) and cash flows for each of the three years in the period ended December 31, 1995 included in this Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

AVAILABLE INFORMATION

ISP, G-I Holdings and BMCA are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and in accordance therewith file reports, proxy statements (with respect to ISP) and other information with the Commission. The reports, proxy statements and other information filed by ISP, G-I Holdings and BMCA with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60601-2511. Copies of such material also can be obtained from the Public Reference Section of the Commission, Washington, D.C. 20549 at prescribed rates. In addition, ISP's common stock is listed on the New York Stock Exchange and material filed by ISP can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Finally, the Commission maintains an Internet web site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

ISP Holdings has filed with the Commission a Registration Statement (which term shall encompass any amendments thereto) on Form S-4 under the Securities Act with respect to the New Notes offered hereby. This Prospectus does not contain all information set forth in the Registration Statement and the exhibits thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement, or other document are not necessarily complete. With respect to each such contract, agreement, or other document filed as an exhibit to the Registration Statement, reference is hereby made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference.

INDEX TO FINANCIAL STATEMENTS

	PAGE

Report of Independent Public Accountants.....	F-2
Consolidated Statements of Income for the three years ended December 31, 1995 and the nine months ended October 1, 1995 and September 29, 1996 (unaudited).....	F-3
Consolidated Balance Sheets as of December 31, 1995 and as of September 29, 1996 (unaudited).....	F-4
Consolidated Statements of Cash Flows for the three years ended December 31, 1995 and the nine months ended October 1, 1995 and September 29, 1996 (unaudited).....	F-5
Consolidated Statements of Shareholder's Equity (Deficit) for the three years ended December 31, 1995 and the nine months ended September 29, 1996 (unaudited).....	F-7
Notes to Consolidated Financial Statements.....	F-8
Supplementary Data (unaudited):	
Quarterly Financial Data (unaudited).....	F-27

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To ISP Holdings Inc.:

We have audited the accompanying consolidated balance sheets of ISP Holdings Inc. (a Delaware corporation and a wholly owned subsidiary of GAF Corporation) and subsidiaries as of December 31, 1994 and 1995, and the related consolidated statements of income, shareholder's equity (deficit) and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, appearing on pages F-3 to F-26 of this Prospectus, present fairly, in all material respects, the financial position of ISP Holdings Inc. and subsidiaries as of December 31, 1994 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
August 7, 1996
(except with respect to the matter
discussed in Note 14 as to which the
date is December 9, 1996)

ISP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
				OCTOBER 1,	SEPTEMBER 29,
	1993	1994	1995	1995 (UNAUDITED)	1996 (UNAUDITED)
	(THOUSANDS)				
Net sales.....	\$548,252	\$600,047	\$689,002	\$ 530,334	\$ 544,135
Costs and expenses:					
Cost of products sold.....	329,517	367,746	414,672	322,329	320,295
Selling, general and administrative.....	125,961	119,656	134,011	98,876	108,236
Provision for restructuring.....	13,827	--	--	--	--
Goodwill amortization.....	13,856	13,400	13,223	9,922	9,900
Total costs and expenses.....	483,161	500,802	561,906	431,127	438,431
Operating income.....	65,091	99,245	127,096	99,207	105,704
Interest expense.....	(24,500)	(28,676)	(33,091)	(24,821)	(21,879)
Equity in earnings of joint venture.....	2,051	2,034	5,413	2,950	4,948
Other income (expense), net.....	7,181	(119)	6,684	3,869	9,429
Income from continuing operations before income taxes and extraordinary item.....	49,823	72,484	106,102	81,205	98,202
Income taxes:					
Current year provision.....	(17,320)	(26,732)	(38,727)	(29,981)	(35,647)
Adjustment of deferred tax liability for change in tax rate.....	(2,945)	--	--	--	--
Minority interest in income of subsidiaries.....	(5,737)	(8,640)	(12,306)	(9,452)	(10,802)
Income from continuing operations before extraordinary item.....	23,821	37,112	55,069	41,772	51,753
Discontinued operations:					
Loss from discontinued operations, net of income taxes.....	(9,415)	(7,865)	(22,241)	(15,838)	(17,422)
Gain on sale of discontinued operation, net of income taxes of \$30,648.....	--	--	--	--	43,637
Income (loss) from discontinued operations.....	(9,415)	(7,865)	(22,241)	(15,838)	26,215
Income before extraordinary item.....	14,406	29,247	32,828	25,934	77,968
Extraordinary items, net of income tax benefits of \$733 and \$5,016, respectively.....	--	(1,237)	--	--	(8,186)
Net income.....	\$ 14,406	\$ 28,010	\$ 32,828	\$ 25,934	\$ 69,782

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ISP HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		SEPTEMBER 29,
	1994	1995	1996
			(UNAUDITED)
	(THOUSANDS)		
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 20,127	\$ 14,080	\$ 11,767
Investments in trading securities.....	42,737	17,183	1,266
Investments in available-for-sale securities.....	14,583	114,099	94,567
Investments in held-to-maturity securities.....	--	4,618	4,119
Accounts receivable, trade, less reserve of \$2,292, \$2,879 and \$2,916.....	55,585	60,327	72,764
Accounts receivable, other.....	9,977	12,356	20,637
Inventories.....	108,787	107,969	98,354
Net current assets of discontinued operations.....	106,237	147,451	254,979
Other current assets.....	14,572	12,920	13,726
Total current assets.....	372,605	491,003	572,179
Property, plant and equipment, net.....	477,109	475,550	482,416
Excess of cost over net assets of businesses acquired, net of accumulated amortization of \$78,602, \$91,825 and \$101,725.....	443,681	430,458	420,558
Other assets.....	64,146	63,378	62,135
Total assets.....	\$1,357,541	\$1,460,389	\$1,537,288
LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)			
Current liabilities:			
Short-term debt.....	\$ --	\$ 36,199	\$ 22,518
Current maturities of long-term debt.....	890	398	361
Loan payable to affiliate.....	41,341	50,597	17,797
Accounts payable.....	47,984	41,727	50,017
Accrued liabilities.....	46,625	56,538	57,929
Payable to affiliates, net.....	3,336	9,429	4,413
Income taxes.....	4,389	6,114	6,099
Total current liabilities.....	144,565	201,002	159,134
Long-term debt less current maturities.....	285,397	280,254	239,760
Long-term note payable to affiliate.....	91,709	67,237	80,977
Deferred taxes.....	72,955	55,743	45,452
Net noncurrent liabilities of discontinued operations.....	591,592	678,805	770,271
Other liabilities.....	74,310	65,458	62,224
Minority interest in subsidiaries.....	112,804	113,597	117,817
Commitments and contingencies.....			
Shareholder's equity (deficit):			
Common stock, \$.01 par value per share; 1,000 shares authorized: 10 shares issued and outstanding.....	--	--	--
Additional paid-in capital.....	50,704	56,342	118,516
Excess of purchase price over the adjusted historical cost of the predecessor company shares owned by GAF's stockholders.....	(72,605)	(72,605)	(72,605)
Retained earnings.....	--	--	1,924
Cumulative translation adjustment and other.....	6,110	14,556	13,818
Shareholder's equity (deficit).....	(15,791)	(1,707)	61,653
Total liabilities and shareholder's equity (deficit).....	\$1,357,541	\$1,460,389	\$1,537,288

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ISP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
				OCTOBER 1,	SEPTEMBER 29,
	1993	1994	1995	1995 (UNAUDITED)	1996 (UNAUDITED)
	(THOUSANDS)				
Cash and cash equivalents, beginning period.....	\$ 11,162	\$ 11,022	\$ 20,127	\$ 20,127	\$ 14,080
Cash provided by operating activities:					
Net income.....	14,406	28,010	32,828	25,934	69,782
Adjustments to reconcile net income to net cash provided by operating activities:					
(Income) loss from discontinued operations.....	9,415	7,865	22,241	15,838	(18,029)
Non-cash extraordinary charge.....	--	1,237	--	--	--
Depreciation.....	28,737	32,753	35,960	26,698	28,183
Goodwill amortization.....	13,856	13,400	13,223	9,922	9,900
Deferred income taxes.....	(13,542)	(16,494)	(18,809)	(5,125)	(11,340)
Provision for restructuring.....	13,827	--	--	--	--
(Increase) decrease in working capital items.....	2,868	(11,277)	(5,105)	(13,465)	(3,015)
Purchases of trading securities.....	(130,432)	(269,878)	(66,483)	(65,385)	(34,228)
Proceeds from sales of trading securities.....	129,185	284,520	104,058	103,952	39,841
(Increase) decrease in other assets.....	6,586	(4,281)	56	(6,303)	1,116
Increase (decrease) in other liabilities.....	1,847	(2,090)	(1,343)	(1,250)	810
Proceeds from termination of interest rate swap agreements.....	25,069	--	--	--	--
Increase (decrease) in net payable to affiliates...	10,234	(247)	6,093	(9,756)	(5,016)
Change in cumulative translation adjustment.....	(5,070)	6,694	5,561	6,470	(4,005)
Change in minority interest in subsidiaries.....	4,517	10,252	13,663	11,002	10,015
Other, net.....	340	(4,556)	1,868	(843)	(1,527)
Net cash provided by operating activities.....	111,843	75,908	143,811	97,689	82,487
Cash provided by (used in) investing activities:					
Capital expenditures and acquisitions.....	(62,858)	(31,098)	(38,934)	(26,559)	(35,669)
Proceeds from sale of discontinued operation.....	--	--	--	--	89,464
Other-discontinued operations.....	1,150	4,106	28,159	27,693	(83,027)
Purchases of available-for-sale securities.....	--	(953)	(366,200)	(228,007)	(194,126)
Purchases of held-to-maturity securities.....	--	--	(5,592)	(5,314)	(9,534)
Proceeds from sales of available-for-sale securities.....	--	742	257,197	134,185	227,838
Proceeds from held-to-maturity securities.....	--	--	974	--	10,033
Net cash provided by (used in) investing activities....	(61,708)	(27,203)	(124,396)	(98,002)	4,979
Cash provided by (used in) financing activities:					
Proceeds (repayments) from sale of accounts receivable.....	24,284	(1,052)	3,768	1,814	--
Increase (decrease) in short-term debt.....	10,637	(12,848)	36,199	49,088	(14,013)
Repayments of long-term debt.....	(125,820)	(83,048)	(5,635)	(16,341)	(40,615)
Increase (decrease) in loans from affiliate.....	46,317	66,263	(15,216)	(2,384)	(19,060)
Subsidiary's repurchases of common stock.....	--	(327)	(16,614)	(13,965)	(10,365)
Dividends to minority shareholders of subsidiary....	(969)	(969)	--	--	--
Dividends and distributions paid to parent company...	(14,406)	(27,010)	(33,637)	(27,692)	(67,996)
Capital contribution from parent company.....	9,230	18,880	5,478	--	61,558
Other, net.....	452	511	195	62	712
Net cash used in financing activities.....	(50,275)	(39,600)	(25,462)	(9,418)	(89,779)
Net change in cash and cash equivalents.....	(140)	9,105	(6,047)	(9,731)	(2,313)
Cash and cash equivalents, end of period.....	\$ 11,022	\$ 20,127	\$ 14,080	\$ 10,396	\$ 11,767

ISP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS--(CONTINUED)

				NINE MONTHS ENDED	
	YEAR ENDED DECEMBER 31,			OCTOBER 1,	SEPTEMBER 29,
	1993	1994	1995	1995	1996
				(UNAUDITED)	(UNAUDITED)
	(THOUSANDS)				
Supplemental Cash Flow Information:					
Effect on cash from (increase) decrease in working capital items(1):					
Accounts receivable.....	\$ 2,499	\$ (14,161)	\$ (10,892)	\$ (20,652)	\$ (20,575)
Inventories.....	4,306	(5,087)	1,029	8,589	9,657
Other current assets.....	1,239	1,688	2,105	(291)	(725)
Accounts payable.....	5,036	8,187	(5,895)	(3,677)	8,264
Accrued liabilities.....	(896)	(4,162)	8,389	1,477	539
Income taxes.....	(9,316)	2,258	159	1,089	(175)
Net effect on cash from (increase) decrease in working capital items.....	\$ 2,868	\$ (11,277)	\$ (5,105)	\$ (13,465)	\$ (3,015)
Cash paid during the period for:					
Interest (net of amount capitalized).....	\$ 23,969	\$ 31,140	\$ 36,776	\$ 30,651	\$ 28,175
Income taxes (including taxes paid pursuant to the Tax Sharing Agreement).....	38,703	44,499	44,489	35,285	48,681

(1) Working capital items exclude cash, restricted cash, short-term investments and short-term debt. Working capital acquired in connection with acquisitions is reflected within 'Capital expenditures and acquisitions.' The effects of reclassifications between noncurrent and current assets and liabilities are excluded from the amounts shown above. In addition, the (increase) decrease in accounts receivable shown above does not reflect the cash proceeds from the sale of certain of the Company's accounts receivable (see Note 5); such proceeds are reflected in cash from financing activities.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ISP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY (DEFICIT)

	CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL	CUMULATIVE TRANSLATION ADJUSTMENT AND OTHER	RETAINED EARNINGS
	-----	-----	-----
		(THOUSANDS)	
December 31, 1992.....	\$ 22,625	\$ 7,426	\$ --
Net income.....	--	--	14,406
Translation adjustment.....	--	(5,070)	--
Dividends and distributions to parent company.....	--	--	(14,406)
Capital contribution from parent company.....	9,230	--	--
Change in unrealized gain on investments held by insurance subsidiary....	--	(1,863)	--
Adjustment of unfunded pension liability.....	--	(2,357)	--
	-----	-----	-----
December 31, 1993.....	\$ 31,855	\$ (1,864)	\$ --
Net income.....	--	--	28,010
Translation adjustment.....	--	6,694	--
Dividends and distributions to parent company.....	--	--	(28,010)
Capital contribution from parent company.....	18,880	--	--
Unrealized loss on available-for-sale securities, net of \$517 income tax benefit.....	--	(886)	--
Change in unrealized gain on investments held by insurance subsidiary....	--	(594)	--
Adjustment of unfunded pension liability.....	--	2,760	--
Effect of subsidiary's purchases of treasury stock.....	(31)	--	--
	-----	-----	-----
December 31, 1994.....	\$ 50,704	\$ 6,110	\$ --
Net income.....	--	--	32,828
Translation adjustment.....	--	5,561	--
Dividends and distributions to parent company.....	--	--	(32,828)
Capital contribution from parent company.....	5,478	--	--
Change in unrealized gains on available-for-sale securities, net of \$1,503 income tax effect.....	--	2,636	--
Adjustment of unfunded pension liability.....	--	249	--
Effect of exercises of subsidiary's stock options.....	160	--	--
	-----	-----	-----
December 31, 1995.....	\$ 56,342	\$ 14,556	\$ --
Net income (unaudited).....	--	--	69,782
Translation adjustment (unaudited).....	--	(4,005)	--
Dividends and distributions to parent company (unaudited).....	--	--	(67,858)
Capital contribution from parent company (unaudited).....	61,558	--	--
Change in unrealized gains on available-for-sale securities, net of \$1,652 income tax effect (unaudited).....	--	3,267	--
Effect of exercises of subsidiary's stock options (unaudited).....	396	--	--
Effect of subsidiary's issuance of stock and options as incentives (unaudited).....	220	--	--
	-----	-----	-----
September 29, 1996 (unaudited).....	\$ 118,516	\$ 13,818	\$ 1,924
	-----	-----	-----

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ISP Holdings Inc. ('ISP Holdings') is a wholly owned subsidiary of GAF Corporation ('GAF'). ISP Holdings was formed on August 6, 1996 and 10 shares of its common stock were issued to GAF in exchange for all of the capital stock of G-I Holdings Inc. ('G-I Holdings'), which resulted in G-I Holdings becoming a direct wholly-owned subsidiary of ISP Holdings. As used herein, the term 'Company' refers to ISP Holdings and its subsidiaries.

The accompanying consolidated financial statements have been prepared on a basis which retroactively reflects the formation of ISP Holdings, as discussed above, for all periods presented. The net income for each period presented up to the date ISP Holdings was formed has been reflected as dividends and/or distributions to GAF. Financial information with regard to the nine months ended October 1, 1995 and September 29, 1996 is unaudited and, in the opinion of management, contains all adjustments necessary to present fairly the financial position and the results of operations and cash flows of the Company for the periods presented. All adjustments are of a normal recurring nature. The results of operations for these periods are not necessarily indicative of the results to be expected for the full year.

On January 1, 1997, GAF effected a series of transactions (the 'Spin Off Transactions') that resulted in, among other things, the capital stock of ISP Holdings (whose principal asset is now approximately 83.5% of the issued and outstanding capital stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and its subsidiary, International Specialty Products Inc. ('ISP'), are no longer direct or indirect subsidiaries of GAF, and the assets and liabilities of other wholly owned subsidiaries of G-I Holdings, including Building Materials Corporation of America ('BMCA'), U.S. Intec, Inc. ('USI'), and GAF Fiberglass Corporation (formerly known as GAF Chemicals Corporation) ('GFC'), are no longer assets and liabilities of ISP Holdings.

Accordingly, the results of operations and assets and liabilities of BMCA, USI and GCC, as well as GAF Broadcasting Company, Inc. (which was sold in August 1996), have been classified as 'Discontinued Operations' within the financial statements for all periods presented.

The Company, through its subsidiary, ISP, is engaged principally in the manufacture and sale of specialty chemicals. See Notes 11 and 12 for a description of and financial information concerning the Company's industry segments and foreign and domestic operations.

See Notes 14 and 16 for a discussion of a subsequent event and discontinued operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

All subsidiaries are consolidated and intercompany transactions have been eliminated.

Financial Statement Estimates

The preparation of financial statements requires management to make certain estimates. Actual results could differ from those estimates. In the opinion of management, the financial statements herein contain all adjustments necessary to present fairly the financial position and the results of operations and cash flows of the Company for the periods presented. All adjustments are of a normal recurring nature. The Company has a policy to review the recoverability of long-lived assets and identify and measure any potential impairments. The Company does not anticipate any changes in management estimates that would have a material impact on operations, liquidity or capital resources, subject to the matters discussed in Note 13 (Commitments and Contingencies).

Short-term Investments

The Company carries its short-term investments at market value. For securities classified as 'trading' (including short positions), unrealized gains and losses are reflected in income. For securities classified as 'available-for-sale', unrealized gains (losses), net of income tax effect, are included in a separate component of shareholder's equity (deficit), 'Cumulative translation adjustment and other,' and amounted to (\$.9), \$1.8 and

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

\$5.0 million as of December 31, 1994 and 1995 and September 29, 1996, respectively. Investments classified as 'held-to-maturity' securities are carried at amortized cost in the Consolidated Balance Sheet.

'Other income, net' includes \$6.2, \$16.5, \$9.3 and \$13.8 million of net realized and unrealized gains and losses on securities in 1994 and 1995 and the first nine months of 1995 and 1996, respectively, and \$10.9 million of net realized gains in 1993. The determination of cost in computing realized gains and losses is based on the specific identification method.

During the fourth quarter of 1995, the Company redesignated certain equity securities held long (which are offsets against short positions in certain other securities), with a fair market value of \$18.1 million, as 'trading' and recorded unrealized gains on such securities, through the date of redesignation, in the amount of \$2.1 million as 'Other income.'

As of December 31, 1994 and 1995 and September 29, 1996, the market value of the Company's equity securities held long was \$57.3, \$132.2 and \$96.4 million, respectively, and the Company had \$13.1, \$22 and \$4.3 million, respectively, of short positions in common stocks. As of December 31, 1994 and

1995 and September 29, 1996, the market value of the Company's held-to-maturity securities was \$0, \$4.6 and \$4.1 million, respectively. The market values referred to above are based on quotations as reported by various stock exchanges and major broker-dealers. With respect to its investments in securities, the Company is exposed to the risk of market loss.

Cash and cash equivalents for the purpose of reporting cash flows include cash on deposit and debt securities purchased with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost or market. The LIFO (last-in, first-out) method is utilized to determine cost for a substantial portion of the Company's domestic inventories. All other inventories are determined principally based on the FIFO (first-in, first-out) method.

Property, Plant and Equipment

Depreciation is computed principally on the straight-line method based on the estimated economic lives of the assets. The Company uses an economic life of 10-20 years for land improvements, 40 years for buildings, and 3-20 years for machinery and equipment, which includes furniture and fixtures. Certain interest charges are capitalized during the period of construction as part of the cost of property, plant and equipment.

New Accounting Standards

In 1995, the Financial Accounting Standards Board issued SFAS No. 121, relating to accounting for impairment of long-lived assets, which is required to be adopted in 1996. The Company does not anticipate that the implementation of SFAS No. 121 will have a material effect on the Company's results of operations or financial position.

Foreign Exchange Contracts

The Company enters into forward foreign exchange instruments with off-balance-sheet risk in order to hedge a portion of both its borrowings denominated in foreign currency and its firm or anticipated purchase commitments related to the operations of foreign affiliates. Gains and losses on instruments used to hedge firm purchase commitments are deferred, and amortization is included in the measurement of the foreign currency transactions hedged. Gains and losses on instruments used to hedge anticipated purchases are recognized within 'Other income, net.'

Forward contract agreements require the Company and the counterparty to exchange fixed amounts of U.S. dollars for fixed amounts of foreign currency on specified dates. The market value of such contracts varies with changes in the market exchange rates. The Company is exposed to credit loss in the event of

nonperformance by

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

the counterparties to the forward contract agreements. However, the Company does not anticipate nonperformance by the counterparties. The Company does not generally require collateral or other security to support these financial instruments.

As of December 31, 1994 and 1995 and September 29, 1996, the equivalent dollar fair value of outstanding forward foreign exchange contracts was \$110.3, \$183.1 and \$175.3 million, respectively, and the amount of deferred gains and losses on such instruments was immaterial at December 31, 1994 and 1995 and was a net gain of \$2.3 million at September 29, 1996. All forward contracts are in major currencies with highly liquid markets and mature within one year. The Company uses quoted market prices obtained from major financial institutions to determine the market value of its outstanding forward exchange contracts. The U.S. dollar equivalent fair value of foreign exchange contracts outstanding as of September 29, 1996 as a hedge of non-local currency loans was \$28.6 million, representing 100% of the Company's foreign currency exposure with respect to such loans.

The Company continually monitors its risk from the effect of foreign currency fluctuations on its operations and on the derivative products used to hedge its risk. The Company utilizes real-time, on-line foreign exchange data and news as well as evaluation of economic information provided by financial institutions. Mark-to-market valuations are made on a regular basis. Hedging strategies are approved by senior management before being implemented.

Foreign Currency Translation

Assets and liabilities of foreign subsidiaries, other than those located in highly inflationary countries, are translated at year-end exchange rates. The effects of these translation adjustments are reported in a separate component of shareholder's equity (deficit), 'Cumulative translation adjustment and other,' and amounted to \$8.5, \$14.1 and \$10.1 million as of December 31, 1994 and 1995 and September 29, 1996, respectively. Income and expenses are translated at average exchange rates prevailing during the year. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved, and translation adjustments of subsidiaries in countries with highly inflationary economies, are included in 'Other income, net.'

Excess of Purchase Price Over the Adjusted Historical Cost of Predecessor Company Shares

Shareholder's equity (deficit) reflects a reduction of \$72.6 million which arose from a management-led buyout in March 1989 of the predecessor company to GAF (the 'Acquisition'), because certain members of the management group owned shares of the predecessor company's common stock before the Acquisition and own

shares of GAF after the Acquisition. Accordingly, a step-up in asset values to fair value as required by the purchase method of accounting (which was applied to the Acquisition) does not apply to their shares.

Excess of Cost Over Net Assets of Businesses Acquired ('Goodwill')

Goodwill, which arose principally from the Acquisition, is amortized on the straight-line method over a period of approximately 40 years. The Company believes that the goodwill is recoverable. The primary financial indicator to assess recoverability of goodwill is operating income before amortization of goodwill. The assessment is based on an undiscounted analysis.

Debt Issuance Costs

Debt issuance costs are amortized to expense over the life of the related debt.

Interest Rate Swaps

Gains (losses) on interest rate swap agreements ('swaps') are deferred and amortized as a reduction (increase) of interest expense over the remaining life of the debt issue with respect to which the swaps were entered.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Research and Development

Research and development costs are charged to continuing operations as incurred and amounted to \$21.2, \$20.3, \$21.9, \$16.2 and \$18.4 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

Investment in Joint Venture

ISP has a 50% ownership in GAF-Huls Chemie GmbH ('GAF-Huls'), a joint venture which operates a chemical manufacturing plant in Germany, which is accounted for by the equity method. ISP's equity in the net assets of GAF-Huls was \$33.5, \$41.2 and \$38.5 million as of December 31, 1994 and 1995 and September 29, 1996, respectively, and is included in 'Other assets.' Dividends received by ISP from GAF-Huls totaled \$5.4, \$4.4, \$.3, \$.3 and \$5.7 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

Environmental Liability

The Company, together with other companies, is a party to a variety of proceedings and lawsuits involving environmental matters. The Company estimates that its liability in respect of such environmental matters for its continuing operations, and certain other environmental compliance expenses, as of September 29, 1996 is \$17.4 million, before reduction for insurance recoveries reflected

on its balance sheet of \$6.9 million. The Company's liability is reflected on an undiscounted basis. See 'Business--Environmental Litigation' for further discussion with respect to environmental liabilities and estimated insurance recoveries.

NOTE 2. ACQUISITION

In February 1993, ISP acquired the MTM fine chemicals business. Such acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the estimated fair values of the identifiable net assets acquired, and the excess was recorded as goodwill. The results of such acquisition are included from the date of acquisition; the effect was not material to consolidated operations.

NOTE 3. PROVISION FOR RESTRUCTURING

In the fourth quarter of 1993, ISP recorded a pre-tax provision of \$13.8 million, primarily related to its cost reduction program announced in October 1993. The restructuring charge was established to cover costs associated with severance and related benefits, professional fees, relocations, and discontinuation of products. Management believes that the cost reduction and productivity programs have resulted in significantly reduced operating expenses. The remaining liability as of December 31, 1995 was approximately \$4.7 million and is anticipated to be expended over the next several years.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 4. INCOME TAXES

Income tax (provision) benefit for continuing operations consists of the following:

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
				OCTOBER 1,	SEPTEMBER 29,
	1993	1994	1995	1995 (UNAUDITED)	1996 (UNAUDITED)
	(THOUSANDS)				
Federal:					
Current.....	\$ (29,555)	\$ (36,055)	\$ (48,955)	\$ (27,369)	\$ (40,473)
Deferred.....	15,726	16,051	17,794	4,757	11,353
Total Federal.....	(13,829)	(20,004)	(31,161)	(22,612)	(29,120)
Foreign--current.....	(2,984)	(6,019)	(6,432)	(6,564)	(5,121)
State and local:					
Current.....	(1,268)	(1,152)	(2,149)	(1,173)	(1,393)
Deferred.....	761	443	1,015	368	(13)
Total state and local.....	(507)	(709)	(1,134)	(805)	(1,406)
Income tax provision.....	\$ (17,320)	\$ (26,732)	\$ (38,727)	\$ (29,981)	\$ (35,647)

The differences between the income tax provision computed by applying the statutory Federal income tax rate to pre-tax income from continuing operations, and the income tax provision reflected in the Consolidated Statements of Income, are as follows:

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED	
				OCTOBER 1,	SEPTEMBER 29,
	1993	1994	1995	1995 (UNAUDITED)	1996 (UNAUDITED)
	(THOUSANDS)				
Statutory provision.....	\$ (17,438)	\$ (25,369)	\$ (37,136)	\$ (28,422)	\$ (34,371)
Impact of:					
Foreign operations.....	3,116	1,657	3,633	608	1,590
Nondeductible goodwill amortization.....	(4,849)	(4,690)	(4,628)	(3,473)	(3,465)
Percentage depletion.....	1,868	1,684	1,824	1,453	1,219
Other, net.....	(17)	(14)	(2,420)	(147)	(620)
Income tax provision.....	\$ (17,320)	\$ (26,732)	\$ (38,727)	\$ (29,981)	\$ (35,647)

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 4. INCOME TAXES--(CONTINUED)

The components of the net deferred tax liability are as follows:

	DECEMBER 31,		SEPTEMBER 29,
	1994	1995	1996
			(UNAUDITED)
	(THOUSANDS)		
Deferred tax liabilities related to:			
Property, plant and equipment.....	\$103,294	\$ 90,854	\$ 90,010
Other.....	2,582	6,019	4,284
Total deferred tax liabilities.....	105,876	96,873	94,294
Deferred tax assets related to:			
Deferred income.....	(6,694)	(19,912)	(22,351)
Expenses not yet deducted for tax purposes.....	(24,480)	(14,099)	(20,982)
Foreign tax credits not yet utilized under the Tax Sharing Agreement.....	(3,230)	(3,326)	(3,326)
Other.....	(4,660)	(10,389)	(8,779)
Total deferred tax assets.....	(39,064)	(47,726)	(55,438)
Net deferred tax liability.....	66,812	49,147	38,856
Deferred tax assets reclassified to other current assets.....	6,143	6,596	6,596
Noncurrent deferred tax liability.....	\$ 72,955	\$ 55,743	\$ 45,452

The discussion contained in this Prospectus under the heading 'Tax Sharing Agreement' is incorporated by reference herein.

In connection with Rhone-Poulenc Surfactants and Specialties, L.P. (the 'Surfactants Partnership'), GCC, an indirect subsidiary of GAF, has recorded a deferred tax liability in the amount of \$131.4 million, which is reflected as a liability on the consolidated balance sheet of G-I Holdings. Payment of this liability (subject to reduction to reflect utilization of the tax attributes of GAF and its subsidiaries) is not expected earlier than 1999 under present circumstances. In certain circumstances, GCC could be required to satisfy this liability earlier than 1999. GAF, G-I Holdings and certain subsidiaries of GAF have agreed to jointly and severally indemnify the Company against such tax liability. Prior to the Spin Off Transactions, the Company was a member of the same consolidated federal income tax group as GCC. Subject to such indemnification, the Company would be severally liable for any tax liability imposed in connection with the Surfactants Partnership should GAF, G-I Holdings and such subsidiaries be unable to satisfy such liability. GAF has advised the Company that, in the event the tax liability becomes payable, GAF believes that it will have access to sufficient funds to satisfy this liability if so required.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 5. SALE OF ACCOUNTS RECEIVABLE

In June 1993, ISP sold its domestic trade accounts receivable, without recourse, for a maximum of \$25 million in cash to be made available to ISP based on eligible domestic receivables outstanding from time to time. As of November 6, 1996, the agreement under which ISP sells its domestic trade accounts receivable was extended for one year on substantially the same terms and conditions, and the maximum purchase amount was increased to \$29 million.

The excess of accounts receivable sold over the net proceeds received is included in 'Accounts receivable, other'. The effective cost to the Company varies with LIBOR or commercial paper rates and is included in 'Other income, net'.

NOTE 6. INVENTORIES

At December 31, 1994 and 1995 and September 29, 1996, \$49.4, \$56.2 and \$45.1 million, respectively, of domestic inventories were valued using the LIFO method. Inventories consist of the following:

	DECEMBER 31,		SEPTEMBER 29, 1996
	1994	1995	(UNAUDITED)
		(THOUSANDS)	
Finished goods.....	\$ 69,748	\$ 71,431	\$ 61,175
Work in process.....	21,082	20,540	23,851
Raw materials and supplies.....	19,900	18,634	17,564
Total.....	110,730	110,605	102,590
Less LIFO reserve.....	(1,943)	(2,636)	(4,236)
Inventories.....	\$ 108,787	\$ 107,969	\$ 98,354

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	DECEMBER 31,		SEPTEMBER 29, 1996
	1994	1995	(UNAUDITED)
		(THOUSANDS)	
Land and land improvements.....	\$ 69,109	\$ 69,504	\$ 70,286
Buildings and building equipment.....	78,808	80,880	81,632
Machinery and equipment.....	422,795	438,579	471,826
Construction in progress.....	36,938	46,547	42,922
Total.....	607,650	635,510	666,666
Less accumulated depreciation.....	(130,541)	(159,960)	(184,250)
Property, plant and equipment, net.....	\$ 477,109	\$ 475,550	\$ 482,416

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8. LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31,		SEPTEMBER 29, 1996
	1994	1995	(UNAUDITED)
		(THOUSANDS)	
9% ISP Senior Notes due 1999.....	\$ 200,000	\$ 200,000	\$200,000
Borrowings under revolving credit facility.....	45,000	40,800	--
Industrial revenue bond.....	1,830	--	--
Obligations on mortgaged property.....	38,125	38,125	38,125
Obligations under capital leases (Note 13).....	1,332	1,727	1,996
Total.....	286,287	280,652	240,121
Less current maturities.....	(890)	(398)	(361)
Long-term debt less current maturities.....	\$ 285,397	\$ 280,254	\$239,760

In connection with the issuance by ISP of \$200 million of 9% Senior Notes (the '9% Notes') due 1999, ISP entered into swaps with banks in an aggregate notional principal amount of \$200 million. In 1993, ISP terminated the swaps, resulting in gains of \$25.1 million, and entered into new swaps. The gains were deferred and are being amortized as a reduction of interest expense over the remaining life of the 9% Notes. As a result of the new swaps, the effective

interest cost to ISP of the 9% Notes varies at a fixed spread over LIBOR. Based on the fair value of the swaps at December 31, 1994 and 1995 and September 29, 1996, ISP would have incurred losses of \$22.1, \$2.8 and \$6.5 million, respectively, representing the estimated amount that would be payable by ISP if the swaps were terminated at such dates. The estimated fair value of the 9% Notes as of December 31, 1994 and 1995 and September 29, 1996, was \$192.6, \$214.6 and \$206.7 million, respectively.

The Company may be considered to be at risk, to the extent of the costs of replacing such swaps at current market rates, in the event of nonperformance by counterparties. However, since the counterparties are major financial institutions, the credit ratings of which are continually monitored by the Company, the risk of such nonperformance is considered by the Company to be remote.

In October 1994, ISP refinanced its \$400 million revolving credit/letter of credit facility and entered into a four-year \$250 million revolving credit/letter of credit facility and a \$150 million renewable one-year revolving credit facility. In connection with the refinancing of the bank facility, ISP recorded an extraordinary charge of \$1.2 million (after an income tax benefit of \$.7 million), representing the write-off of deferred financing fees related to the previous bank credit agreement. On July 26, 1996, ISP refinanced its \$250 million long-term revolving credit facility and \$150 million one-year revolving credit facility with a \$400 million five-year revolving credit facility (the 'ISP Credit Agreement'). Borrowings under the ISP Credit Agreement bear interest at a floating rate based on the banks' base rate, federal funds rate, Eurodollar rate or a competitive bid rate (which may be based on LIBOR or money market rates), at the option of ISP.

As of September 29, 1996, letters of credit aggregating \$9.4 million were outstanding under the ISP Credit Agreement. The ISP Credit Agreement permits ISP to make loans to affiliates, and to make available letters of credit for the benefit of affiliates, in an aggregate amount of up to \$75 million. As of September 29, 1996, \$2.3 million of letters of credit for the benefit of affiliates were outstanding.

Borrowings by ISP, including those under the ISP Credit Agreement, are subject to the application of certain financial covenants contained in such agreement and in the indentures relating to the Company's 9% Senior Notes due 2003 and 9 3/4% Senior Notes due 2002. As of September 29, 1996, ISP was in compliance with such covenants, and the application of such covenants would not have restricted the amounts available for borrowing under the ISP Credit Agreement. The ISP Credit Agreement and the indenture relating to the 9% Notes also limit the amount of cash dividends, purchases of treasury stock and other restricted payments (as defined) by ISP. As

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8. LONG-TERM DEBT--(CONTINUED)

of September 29, 1996, under the most restrictive of such limitations, ISP could have paid dividends in the aggregate amount of \$79.9 million, of which \$66.4

million would have been available to ISP Holdings.

The ISP Credit Agreement and the indenture relating to the 9% Notes contain additional affirmative and negative covenants, including restrictions on liens, investments, transactions with affiliates, sale-leaseback transactions, and mergers and transfers of all or substantially all of the assets of ISP or its subsidiaries. The ISP Credit Agreement also provides for a default if there is a change in control (as defined) of ISP.

Neither the ISP Credit Agreement nor the 9% Notes are secured by any assets of ISP or its subsidiaries. The indenture governing the 9% Notes provides, subject to certain exceptions, that if ISP issues any debt secured by a lien on the stock of certain of its subsidiaries or upon any principal property, then such notes must be equally and ratably secured.

The Company believes that the fair value of its non-public variable rate indebtedness approximates the book value of such indebtedness because the interest rates on such indebtedness are at floating short-term rates. The ISP Credit Agreement also provides for adjustments to the interest rate if there is a change in the credit rating of ISP. With respect to the Company's publicly traded debt securities, the Company has obtained estimates of fair values from an independent source believed to be reliable.

The aggregate maturities of long-term debt for the Company's continuing operations as of September 29, 1996 for the next five years are as follows:

TWELVE MONTHS ENDED SEPTEMBER 30,	(THOUSANDS)
-----	-----
1997.....	\$ 361
1998.....	520
1999.....	238,408
2000.....	190
2001.....	150

In the above table, for the twelve months ended September 29, 1999, maturities include the \$200 million of 9% Notes and a \$38.1 million obligation on a mortgaged property.

At September 29, 1996, the Company's foreign subsidiaries had total available short-term lines of credit aggregating \$38.1 million, of which \$16.3 million were unused. The weighted average interest rate on the Company's short-term borrowings as of December 31, 1994 and 1995 and September 29, 1996 was 6.1%, 5.8% and 5.2%, respectively.

See Note 16 for information regarding subsequent events relating to indebtedness of the Company.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 9. BENEFIT PLANS

Eligible, full-time employees of the Company are covered by various benefit plans, as described below.

Defined Contribution Plan

The Company provides a defined contribution plan for eligible employees. The Company contributes up to 7% of participants' compensation (of which, for ISP employees, up to 4% of participants' compensation, at the participants' option, is contributed in the form of ISP's common stock at a \$.50 per share discount from the market price on the date of contribution) and also contributes fixed amounts, ranging from \$50 to \$750 per year depending on age, to the accounts of participants who are not covered by a Company-provided postretirement medical benefit plan. The aggregate contributions by the Company related to continuing operations were \$5.2, \$6.1, \$6.3, \$4.7 and \$4.8 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

Defined Benefit Plans

The Company provides a noncontributory defined benefit retirement plan for certain hourly employees (the 'Hourly Retirement Plan'). Benefits under this plan are based on stated amounts for each year of service. The Company's funding policy is consistent with the minimum funding requirements of ERISA.

The Company's net periodic pension cost related to continuing operations for the Hourly Retirement Plan included the following components:

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
	-----	-----	-----
	(THOUSANDS)		
Service cost.....	\$ 395	\$ 363	\$ 287
Interest cost.....	1,134	1,253	1,349
Actual income on plan assets.....	(985)	(924)	(976)
Net deferral and amortization of unrecognized prior service cost and actuarial losses.....	467	343	275
	-----	-----	-----
Net periodic pension cost.....	\$1,011	\$1,035	\$ 935
	-----	-----	-----

Net periodic pension cost related to continuing operations for the Hourly Retirement Plan was \$.7 and \$.1 million, respectively, for the first nine months

of 1995 and 1996.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 9. BENEFIT PLANS--(CONTINUED)

The following table sets forth the funded status of the Hourly Retirement Plan for continuing operations:

	DECEMBER 31,	
	1994	1995
	(THOUSANDS)	
Accumulated benefit obligation:		
Vested.....	\$ 13,460	\$ 16,919
Nonvested.....	2,360	2,273
Total accumulated benefit obligation.....	\$ 15,820	\$ 19,192
Projected benefit obligation.....	\$ 15,820	\$ 19,192
Fair value of plan assets, primarily listed stocks and U.S. Government securities.....	(10,766)	(15,314)
Projected benefit obligation in excess of plan assets.....	5,054	3,878
Unrecognized prior service cost.....	(2,075)	(1,956)
Unrecognized net loss.....	(1,180)	(796)
Unfunded accrued pension cost.....	\$ 1,799	\$ 1,126

At December 31, 1995, the difference between the 'Projected benefit obligation in excess of plan assets' and the 'Unfunded accrued pension cost,' in the amount of \$2,752,000, was recorded by the Company as a liability, offset by an intangible asset in the amount of \$1,956,000, a reduction of shareholder's equity in the amount of \$655,000 and a reduction of minority interest in subsidiary in the amount of \$141,000. The foregoing amounts will be amortized to expense over a period of approximately 15 years, as the Company continues to fund the benefits under the Hourly Retirement Plan.

In determining the projected benefit obligation, the weighted average assumed discount rate was 9% and 7.5% for 1994 and 1995, respectively. The expected long-term rate of return on assets, used in determining net periodic pension cost, was 9% for 1994 and 1995.

The Company also provides a nonqualified defined benefit retirement plan for certain key employees. Expense accrued for this plan and charged to continuing operations was \$.8, \$1.2, \$1.4, \$1.1 and \$.6 million for 1993, 1994 and 1995 and the first nine months of 1995 and 1996, respectively.

Postretirement Medical and Life Insurance

The Company provides certain medical and life insurance benefits for all retirees who were formerly hourly employees and for certain retirees who were formerly salaried employees. Certain hourly employees may become eligible for benefits if they reach retirement age while working for the Company. The Company accrues the estimated cost of such retiree benefits during covered employees' active service periods.

During 1992, the postretirement medical and life insurance plans for salaried employees were terminated, with certain exceptions for salaried employees then over age 55 with 10 years of service. Retirees as of December 31, 1992 who were formerly salaried employees maintain life insurance coverage and receive a Company subsidy of up to \$800 per year towards medical coverage, with certain exceptions. Subsequently, the Company negotiated the termination of postretirement medical and life insurance plans for certain hourly employees, with exceptions for hourly employees then over age 50 with 15 or more years of service.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 9. BENEFIT PLANS--(CONTINUED)

The following table shows the components of the accrued postretirement health care cost obligation for continuing operations as of December 31, 1994 and 1995:

	DECEMBER 31,	
	1994	1995
	(THOUSANDS)	
Accumulated postretirement benefit obligation:		
Retirees, dependents and beneficiaries eligible for benefits.....	\$ 8,038	\$ 9,053
Active employees fully eligible for benefits.....	1,967	2,042
Active employees not fully eligible for benefits.....	107	121
Total accumulated postretirement benefit obligation.....	10,112	11,216
Fair value of plan assets.....	--	--
Unrecognized prior service cost and unrecognized net gain (loss).....	1,027	(241)
Accrued postretirement benefit obligation.....	\$11,139	\$10,975

The net periodic postretirement benefit cost for continuing operations included the following components:

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
	(THOUSANDS)		
Service cost.....	\$ 75	\$ 39	\$ 3
Interest cost.....	1,012	845	884
Amortization of unrecognized prior service cost and net gain from earlier periods.....	--	(25)	(145)
Net periodic postretirement benefit cost.....	\$1,087	\$859	\$ 742

Net periodic postretirement benefit cost for continuing operations was \$.6 million for each of the first nine months of 1995 and 1996.

For purposes of calculating the accumulated postretirement benefit obligation, the following assumptions were made. Retirees as of December 31, 1992 who were formerly salaried employees (with certain exceptions) were assumed to receive a Company subsidy of \$800 per year. With respect to retirees who were formerly hourly employees, most such retirees are subject to a \$5,000 per person lifetime maximum benefit. Subject to such lifetime maximum, a 14% and 8% annual rate of increase in the Company's per capita cost of providing postretirement medical benefits was assumed for 1996 for such retirees under and over age 65, respectively. To the extent that the lifetime maximum benefits have not been reached, the foregoing rates were assumed to decrease gradually to 7% and 6%, respectively, by the year 2003 and remain at that level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 9% and 7.5% for 1994 and 1995, respectively.

The health care cost trend rate assumption has an effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation for continuing operations as of December 31, 1995 by \$850,000 and the aggregate of the service and interest cost components of the net periodic postretirement benefit cost for continuing operations for the year 1995 by \$113,000.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 10. STOCK OPTION PLAN

ISP's 1991 Incentive Plan for Key Employees and Directors, as amended (the 'Plan'), authorizes the grant of options to purchase a maximum of 5,000,000 shares of ISP's common stock. In December 1995, ISP's Board of Directors approved an amendment to the Plan, which was approved by ISP's stockholders in 1996, to permit the Compensation Committee of the Board of Directors to determine the exercise price and vesting schedule of options granted under the Plan. In December 1995, ISP granted options to certain employees to purchase 215,500 shares of ISP's common stock at an exercise price of \$5.875 per share. The difference of \$5 per share between the exercise price and the fair market value of such shares on the date of grant is being recognized as compensation expense over the vesting period of 2 1/2 years. All other ISP employee options under the Plan have an exercise price equal to the fair market value of such shares on the date of grant and become exercisable at a rate of 20% per year on each of the first five anniversaries of the date of grant. Special vesting rules apply to options granted to non-employee directors.

In 1993, ISP extended an offer to holders of outstanding stock options with exercise prices ranging from \$7.25 to \$14.00 to exchange their existing options for a lesser number of new options with an exercise price of \$6.75.

The following is a summary of transactions pertaining to the Plan:

	1993	1994	1995
	-----	-----	-----
		(NUMBER OF SHARES)	
Outstanding January 1.....	1,883,649	1,228,964	2,199,716
Granted.....	825,509	1,321,020	1,355,510
Exercised.....	--	--	(28,805)
Exchanged.....	(1,177,518)	--	--
Terminated.....	(302,676)	(350,268)	(248,982)
	-----	-----	-----
Outstanding December 31.....	1,228,964	2,199,716	3,277,439
	-----	-----	-----
At December 31:			
Exercisable.....	151,118	332,763	710,750
Available for grant.....	1,771,036	800,284	1,722,561
Option Price Range Per Share:			
Outstanding.....	\$ 6.75-	\$ 6.125-	\$ 5.875-
	\$ 14.00	\$ 14.00	\$ 14.00
Exercised.....	--	--	\$ 6.75-
	--	--	\$ 7.25

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 11. BUSINESS SEGMENT INFORMATION

The following data present business segment information for the Company's continuing operations.

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
	(MILLIONS)		
Net sales:			
Specialty Chemicals.....	\$ 434.5	\$ 482.4	\$ 556.9
Mineral Products(1).....	81.3	81.1	86.1
Other.....	32.5	36.5	46.0
Net sales.....	\$ 548.3	\$ 600.0	\$ 689.0
Operating income(2):			
Specialty Chemicals(3).....	\$ 48.0	\$ 79.9	\$ 105.5
Mineral Products.....	16.6	14.6	16.3
Other.....	.5	4.7	5.3
Operating income.....	\$ 65.1	\$ 99.2	\$ 127.1
Identifiable assets:			
Specialty Chemicals(4).....	\$ 972.6	\$ 986.3	\$ 980.0
Mineral Products.....	161.5	161.2	157.9
Other.....	19.5	20.6	25.6
General Corporate(5).....	89.7	83.2	149.4
Net current assets of discontinued operations.....	65.7	106.2	147.5
Identifiable assets.....	\$1,309.0	\$1,357.5	\$1,460.4
Capital expenditures and acquisitions:			
Specialty Chemicals.....	\$ 54.5	\$ 22.5	\$ 31.1
Mineral Products.....	8.3	8.3	6.0
Other.....	.1	.3	1.8
Total capital expenditures and acquisitions.....	\$ 62.9	\$ 31.1	\$ 38.9
Depreciation and goodwill amortization:			
Specialty Chemicals.....	\$ 33.5	\$ 36.1	\$ 38.6
Mineral Products.....	8.7	9.3	9.7
Other.....	.4	.8	.9
Total depreciation.....	\$ 42.6	\$ 46.2	\$ 49.2

(1) Includes sales to BMCA of \$43.5, \$42.5 and \$45.7 million for 1993, 1994 and 1995, respectively, and sales to USI of \$.1 million in 1995.

(2) On a segment basis, the provision for restructuring (see Note 3) was allocated to Specialty Chemicals (\$11.8 million), Mineral Products (\$.3 million), and Other (\$1.7 million).

(3) Does not include operating income of ISP's 50% ownership of GAF-Huls. ISP's equity in the earnings of GAF-Huls is reflected in the Consolidated Statements of Income as 'Equity in earnings of joint venture' below Operating Income.

(4) Identifiable assets of Specialty Chemicals include ISP's 50% ownership of GAF-Huls. See Note 1.

(5) General Corporate assets principally represent the Company's investments in trading, available-for-sale and held-to-maturity securities, which are held for general corporate purposes and are not allocated to industry segments.

ISP manufactures more than 325 specialty chemicals having numerous applications in consumer and industrial products encompassing such worldwide markets as pharmaceuticals, hair and skin care, plastics, agricultural, coatings and adhesives. ISP's mineral products business manufactures ceramic-coated colored roofing granules which are sold primarily to the North American roofing industry for use in the manufacture of asphalt roofing shingles. Over 50% of ISP's sales of mineral products are to BMCA. ISP also manufactures filter products and

advanced materials.

F-21

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 12. GEOGRAPHIC INFORMATION

Results set forth below for foreign operations relating to the Company's continuing operations represent sales and operating income of foreign-based subsidiaries.

	YEAR ENDED DECEMBER 31,		
	1993	1994	1995
	(MILLIONS)		
Net sales:			
Domestic operations(1).....	\$ 286.8	\$ 306.4	\$ 345.2
Europe(2).....	167.7	187.7	218.2
Asia-Pacific.....	69.3	76.6	92.1
Other foreign operations.....	24.5	29.3	33.5
Net sales.....	\$ 548.3	\$ 600.0	\$ 689.0
Operating income(3):			
Domestic operations.....	\$ 19.3	\$ 41.3	\$ 57.9
Europe.....	30.0	37.5	49.7
Asia-Pacific.....	12.8	16.2	17.0
Other foreign operations.....	3.0	4.2	2.5
Operating income.....	65.1	99.2	127.1
Equity in earnings of joint venture.....	2.1	2.0	5.4
Interest expense and other, net.....	(17.4)	(28.7)	(26.4)
Income from continuing operations before income taxes and extraordinary item.....	\$ 49.8	\$ 72.5	\$ 106.1
Identifiable assets:			
Domestic operations.....	\$1,001.5	\$1,001.4	\$ 984.5
Europe(4).....	118.5	128.9	133.1
Asia-Pacific.....	24.9	28.5	32.2
Other foreign operations.....	8.7	9.3	13.7
General Corporate(5).....	89.7	83.2	149.4
Net current assets of discontinued operations.....	65.7	106.2	147.5
Identifiable assets.....	\$1,309.0	\$1,357.5	\$1,460.4

(1) Net sales--domestic operations excludes sales by the Company's domestic subsidiaries to foreign-based subsidiaries of \$113.6, \$135.1 and \$140.9 million for 1993, 1994 and 1995, respectively.

(2) Net sales--Europe excludes sales by the Company's European subsidiaries to domestic and other foreign-based subsidiaries of \$7.2, \$12.8 and \$19.9 million for 1993, 1994 and 1995, respectively.

(3) On a geographic basis, the provision for restructuring (see Note 3) was allocated to domestic operations (\$7.6 million), Europe (\$5.7 million), Asia-Pacific (\$4 million), and other foreign operations (\$.1 million).

(4) Identifiable assets--Europe includes ISP's 50% ownership of GAF-Huls.

(5) See subnote (5) to Note 11.

More than 60% of the Company's international sales in 1995 were in countries in Western Europe and Japan which are subject to currency exchange rate fluctuation risks. See Note 1 for a discussion of the Company's policy to manage these risks. Other countries in which the Company has sales are subject to additional risks, including high rates of inflation, exchange controls, government expropriation and general instability.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 13. COMMITMENTS AND CONTINGENCIES

ISP Holdings is essentially a holding company without independent businesses or operations and, as such, is dependent upon the cash flow of ISP in order to satisfy its obligations. Such obligations include \$325 million principal amount of Senior Notes due 2003, and \$199.9 million principal amount of Senior Notes due 2002. See Note 16 to Consolidated Financial Statements for a discussion of a subsequent event related to the debt obligations of ISP Holdings. ISP Holdings expects to satisfy such obligations from, among other things, refinancings of debt, dividends and loans from ISP, as to which there are restrictions under the ISP Credit Agreement and the Indenture relating to the ISP 9% Notes (see Note 8), payments pursuant to the Tax Sharing Agreement between ISP Holdings and ISP and debt financings.

The discussion as to legal matters involving the Company contained in 'Business--Environmental Litigation' is incorporated herein by reference.

GAF and G-I Holdings have established reserves for asbestos bodily injury claims, as of September 29, 1996, in the amount of \$357.8 million (before

estimated present value of recoveries from products liability insurance policies of \$211 million and related deferred tax benefits of \$51.4 million). GAF and G-I Holdings have advised ISP Holdings that certain components of the asbestos-related liability and the related insurance recoveries have been reflected on a discounted basis in their financial statements, and that the aggregate undiscounted liability as of September 29, 1996, before estimated recoveries from products liability insurance policies, was \$398.1 million. GAF and G-I Holdings have also advised ISP Holdings that they believe that their reserves adequately reflect their asbestos-related liabilities. GAF's and G-I Holdings' estimate of liability for asbestos claims is based on a pending settlement of future asbestos bodily injury claims (the 'Settlement') becoming effective and on assumptions which relate, among other things, to the number of new cases filed, the cost of resolving (either by settlement or litigation or through the mechanism established by the Settlement) pending and future claims, the realization of related tax benefits, the favorable resolution of pending litigation against certain insurance companies and the amount of recoveries from various insurance companies.

Neither ISP, ISP Holdings nor the assets or operations of ISP, which was operated as a division of a corporate predecessor of GAF prior to July 1986, have been employed in the manufacture or sale of asbestos products. ISP Holdings believes that it and ISP should have no legal responsibility for damages in connection with asbestos-related claims.

Leases for certain property, plant and equipment at two of ISP's mineral products plants are accounted for as capital leases and are included in 'Property, plant and equipment, net' at December 31, 1994 and 1995 and at September 29, 1996 in the amount of \$1.3, \$2.1 and \$1.9 million, respectively. The Company also has operating leases for transportation, production and data processing equipment and for various buildings. Rental expense on operations leases for continuing operations was \$7, \$7.4 and \$8.2 million for 1993, 1994 and 1995, respectively. Future minimum lease payments for properties which were held under long-term noncancelable leases as of December 31, 1995 were as follows:

	CAPITAL LEASES	OPERATING LEASES
	-----	-----
	(THOUSANDS)	
1996.....	\$ 535	\$ 2,758
1997.....	535	1,839
1998.....	494	1,055
1999.....	200	573
2000.....	146	276
Later years.....	194	247
	-----	-----
Total minimum payments.....	2,104	\$ 6,748
	-----	-----
Less interest included above.....	(377)	

Present value of net minimum lease payments.....	\$ 1,727	

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 13. COMMITMENTS AND CONTINGENCIES--(CONTINUED)

ISP intends to acquire or develop a European manufacturing facility to meet the needs of ISP's European business. While the originally anticipated commencement date of the European project has been deferred because ISP has been able to implement cost efficient capacity expansions at its existing manufacturing facilities, based upon its current analysis of additional opportunities for expansion of existing capacity, end-use demand, and other relevant factors, ISP intends to proceed with the project by the end of 1997. Costs capitalized to date related to this project are included in 'Construction in progress.' ISP anticipates utilizing internally generated funds, existing credit facilities and/or independent financing to fund the cost of the project.

ISP has received conditional site designation from the New Jersey Hazardous Waste Facilities Siting Commission for the construction of a hazardous waste treatment, storage and disposal facility at its Linden, New Jersey property, which designation has been appealed to the Courts by the City of Linden. ISP estimates that the cost of constructing the facility will be approximately \$100 million and, if approved, the facility is anticipated to be in operation three years after commencement of construction. ISP anticipates utilizing internally generated cash and/or seeking project or other independent financing therefor. Accordingly, ISP would not expect such facility to impact materially its liquidity or capital resources.

NOTE 14. DISCONTINUED OPERATIONS

On August 1, 1996, the Company completed the sale of WAXQ, a commercial radio station operated by GAF Broadcasting Company, Inc. ('GAF Broadcasting'), a wholly-owned subsidiary of the Company, for a purchase price of \$90 million. The gain on disposal of \$43.6 million, after income taxes of \$30.6 million, was recorded in the third quarter of 1996. Accordingly, GAF Broadcasting is reported as a discontinued operation.

As a result of the spin-off transactions discussed in Note 16, G-I Holdings and its remaining assets, principally the building materials business, consisting of BMCA and USI, and the assets and liabilities of GCC, as well as GAF Broadcasting, are reflected as discontinued operations in the Consolidated Financial Statements. Summary operating results of such discontinued operations are as follows:

	NINE MONTHS ENDED				
	YEAR ENDED DECEMBER 31,			OCTOBER 1,	SEPTEMBER 29,
	1993	1994	1995	1995	1996
				(UNAUDITED)	(UNAUDITED)
	(THOUSANDS)				
Sales.....	\$564,234	\$598,666	\$695,259	\$ 513,967	\$ 652,659
Income (loss) before income taxes and extraordinary item.....	\$ (15,649)	\$ (7,430)	\$ (39,642)	\$ (23,826)	\$ (25,414)
Income tax (provision) benefit.....	6,234	(435)	17,401	7,988	7,992
Net income (loss).....	\$ (9,415)	\$ (7,865)	\$ (22,241)	\$ (15,838)	\$ (17,422)

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 14. DISCONTINUED OPERATIONS--(CONTINUED)

	DECEMBER 31, 1994	1995	SEPT. 29, 1996 (UNAUDITED)
	-----	-----	-----
	(THOUSANDS)		
Assets			
Current assets.....	\$ 334,194	\$ 343,313	\$ 465,772
Investment in limited partnership.....	450,000	450,000	450,000
Other noncurrent assets.....	512,989	581,886	574,885
	-----	-----	-----
Total assets.....	\$1,297,183	\$1,375,199	\$1,490,657
	-----	-----	-----
Liabilities			
Current liabilities(1).....	\$ 227,957	\$ 195,862	\$ 210,793
Long-term debt(2).....	1,136,810	1,270,093	1,322,778
Other noncurrent liabilities(1).....	417,771	440,598	472,378
	-----	-----	-----
Total liabilities.....	\$1,782,538	\$1,906,553	\$2,005,949
	-----	-----	-----

(1) Current liabilities include a reserve for asbestos claims of \$137.7, \$84.4 and \$86.5 million, respectively, as of December 31, 1994 and 1995 and September 29, 1996. Other noncurrent liabilities include a reserve for asbestos claims of \$320.6, \$297.4 and \$271.2 million, respectively, as of December 31, 1994 and 1995 and September 29, 1996.

(2) See Note 16 for a subsequent event related to the long-term debt of G-I Holdings.

NOTE 15. RELATED PARTY TRANSACTIONS

BMCA, an affiliate of the Company, purchases colored roofing granule requirements from ISP under a requirements contract which was renewed for 1996 and is subject to annual renewal unless terminated by ISP or BMCA. Such purchases totaled \$43.5, \$42.5, \$45.7, \$35.9 and \$35.7 million for 1993, 1994, 1995 and the first nine months of 1995 and 1996, respectively. In addition, in December 1995, USI commenced purchasing substantially all of its requirements for colored roofing granules from ISP (except for the requirements of its Stockton, California and Corvallis, Oregon plants) pursuant to a requirements contract which expires December 31, 1997. Such purchases totaled \$.1 million for 1995 and \$3.3 million for the first nine months of 1996. The receivable from BMCA for sales of mineral products was \$2.6, \$2.7 and \$5.9 million at December 31, 1994 and 1995 and September 29, 1996, respectively, and the receivable from USI for sales of mineral products was \$.1 and \$2.1 million at December 31, 1995 and September 29, 1996, respectively.

Pursuant to a Management Agreement, which expires at the end of 1996, ISP provides certain general management, administrative, and facilities services to certain of its affiliates. Charges by ISP for providing such services aggregated \$4.8, \$4.4, \$4.5, \$3.4 and \$3.7 million for 1993, 1994 and 1995, and the first nine months of 1995 and 1996 respectively, and are reflected as reductions of 'Selling, general and administrative' expense, offset by a charge to discontinued operations. The basis for such charges is an allocation of the actual costs ISP incurs to provide management services, including, but not limited to, executive, legal, tax, treasury and accounting services, and the costs to ISP of providing and maintaining facilities services at the corporate headquarters, which is owned by a subsidiary of ISP. Such charges will continue after the Spin Off Transactions are consummated (see Note 16), and accordingly, ISP Holdings' income from continuing operations will not be affected. In addition to the management services charge, BMCA paid approximately \$.7 million to ISP in each of 1993, 1994 and 1995, and \$.5 million for the first nine months of 1995 and 1996, primarily for telecommunications and information services, and G-I Holdings and BMCA paid an aggregate of approximately \$.3 and \$.2 million in 1994 and 1995, respectively, to ISP for certain legal services, which in each case were not encompassed within the Management Agreement.

ISP HOLDINGS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 15. RELATED PARTY TRANSACTIONS--(CONTINUED)

ISP and its subsidiaries also borrow from G-I Holdings and its subsidiaries at the same rates available to ISP under the ISP Credit Agreement. Such borrowings outstanding at December 31, 1994 and 1995 and September 29, 1996 comprised \$41.3, \$50.6 and \$17.8 million, respectively, classified as current, and \$91.7, \$67.2 and \$81.0 million, respectively, classified as long term pursuant to a note agreement expiring in July 2001.

Certain executive officers of ISP were granted stock appreciation rights in 1993 and 1994 relating to GAF's common stock. Compensation expense in connection with such stock appreciation rights is reflected in G-I Holdings' operating expense and was immaterial for 1995, 1994 and 1993.

NOTE 16. SUBSEQUENT EVENT (UNAUDITED)

On October 18, 1996, ISP Holdings concluded a cash tender offer and consent solicitation for G-I Holdings' outstanding Senior Discount Notes. Pursuant to the tender offer, \$428.5 million aggregate principal amount of G-I Holdings' Senior Discount Notes were purchased by ISP Holdings and \$133 million aggregate principal amount of such Discount Notes were subsequently repurchased by G-I Holdings (utilizing cash on hand and the repayment of monies owed to G-I Holdings by ISP) from ISP Holdings. ISP Holdings also concluded an offer to exchange its new Senior Notes due February 15, 2002 for G-I Holdings' Senior Notes. Pursuant to the exchange offer, \$199.9 million of the G-I Holdings' Senior Notes were acquired by ISP Holdings.

On January 1, 1997, GAF effected a series of transactions involving its subsidiaries that resulted in the capital stock of ISP Holdings (whose principal asset is now approximately 83.5% of the issued and outstanding common stock of ISP) being distributed to the stockholders of GAF. As a result of such distribution, ISP Holdings and ISP are no longer direct or indirect subsidiaries of GAF, and the other assets of GAF, principally the building materials business, consisting of BMCA and USI, remain assets of G-I Holdings. G-I Holdings remained a wholly-owned subsidiary of ISP Holdings until such transactions were consummated. Upon consummation of such transactions, all G-I Holdings' Senior Discount Notes and G-I Holdings' Senior Notes then held by ISP Holdings were contributed to G-I Holdings and cancelled.

ISP HOLDINGS INC.
SUPPLEMENTARY DATA (UNAUDITED)
QUARTERLY FINANCIAL DATA (UNAUDITED)

	1994 BY QUARTER				1995 BY QUARTER			
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH
	(MILLIONS)							
Net sales.....	\$147.5	\$155.8	\$ 149.2	\$147.5	\$179.9	\$182.6	\$167.8	\$158.7
Cost of products sold.....	90.3	93.2	92.5	91.7	113.2	109.2	99.9	92.4
Gross profit.....	\$ 57.2	\$ 62.6	\$ 56.7	\$ 55.8	\$ 66.7	\$ 73.4	\$ 67.9	\$ 66.3
Operating income.....	\$ 24.8	\$ 29.7	\$ 22.8	\$ 21.9	\$ 31.2	\$ 36.2	\$ 31.8	\$ 27.9
Income from continuing operations before income taxes and extraordinary item.....	\$ 16.5	\$ 23.6	\$ 22.7	\$ 9.7	\$ 24.1	\$ 29.6	\$ 27.5	\$ 24.9
Income taxes.....	(6.2)	(8.8)	(8.4)	(3.4)	(9.0)	(11.1)	(9.9)	(8.7)
Minority interest in income of subsidiary.....	(2.0)	(2.9)	(2.5)	(1.2)	(2.9)	(3.4)	(3.2)	(2.8)
Income from continuing operations before extraordinary item.....	8.3	11.9	11.8	5.1	12.2	15.1	14.4	13.4
Income (loss) from discontinued operations, net of income taxes.....	(6.6)	11.3	(2.6)	(10.0)	(9.4)	(3.8)	(2.6)	(6.5)
Income (loss) before extraordinary item.....	1.7	23.2	9.2	(4.9)	2.8	11.3	11.8	6.9
Extraordinary item, net of related income tax benefit.....	--	--	(1.2)	--	--	--	--	--
Net income (loss).....	\$ 1.7	\$ 23.2	\$ 8.0	\$ (4.9)	\$ 2.8	\$ 11.3	\$ 11.8	\$ 6.9

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE EXCHANGE OFFERS COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ISP HOLDINGS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE NOTES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

TABLE OF CONTENTS

	PAGE

Summary.....	1
Risk Factors.....	17
Capitalization.....	22
Selected Financial Data.....	23
Pro Forma Consolidated Financial Statements....	25
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	31
The Spin Off Transactions.....	37
The ISP Holdings Transactions.....	38
Business.....	39
Management.....	48
Executive Compensation.....	51
Security Ownership of Certain Beneficial Owners and Management.....	55
Tax Sharing Agreement.....	56
Certain Relationships.....	57
The Exchange Offers.....	58
Description of the New Notes.....	64
Federal Income Tax Considerations.....	87
Plan of Distribution.....	89
Legal Matters.....	89
Experts.....	90
Available Information.....	90
Index to Financial Statements.....	F-1

\$325,000,000
SERIES B 9% SENIOR NOTES

DUE 2003

AND

\$199,871,000
SERIES B 9 3/4% SENIOR NOTES
DUE 2002

ISP HOLDINGS INC.

PROSPECTUS

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

ISP Holdings Inc. is a Delaware corporation. Subsection (b)(7) of Section 102 of the Delaware General Corporation Law (the 'DGCL') enables a corporation in its original certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for violations of the director's fiduciary duty, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit. Article Seventh of ISP Holdings' Certificate of Incorporation has eliminated the personal liability of directors to the fullest extent permitted by Subsection (b)(7) of Section 102 of the DGCL.

Subsection (a) of Section 145 of the DGCL empowers a corporation to indemnify any director or officer, or former director or officer, who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding provided that such director or officer acted in good faith in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, provided further that such director or officer has no reasonable cause to believe his conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any director or officer, or former director or officer, who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit provided that such director or officer acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such director or officer shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all

of the circumstances of the case, such director or officer is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (a) and (b) or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith; that indemnification and advancement of expenses provided for, by, or granted pursuant to, Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and empowers the corporation to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liabilities under Section 145.

Article VIII of the Company's By-Laws states that the corporation shall indemnify, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by reason of the fact that he is or was a director, officer or employee of the corporation, or is or was serving at the request of

ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS.--(CONTINUED)

the corporation as a director, officer or employee of another corporation, partnership, joint venture, trust or other enterprise against judgments, fines and amounts paid in settlement actually incurred by him in connection with such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation.

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

*3.1	--	Certificate of Incorporation of ISP Holdings.
*3.2	--	By-laws of ISP Holdings.
*4.1	--	9% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee.
*4.2	--	9 3/4% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee (including the Registration Rights Agreement of ISP Holdings attached thereto).
*4.3	--	Form of Notes (included in Exhibits 4.1 and 4.2).
*4.4	--	Registration Rights Agreement, dated October 18, 1996, between ISP Holdings and Bear, Stearns & Co. Inc.
**5	--	Opinion of Weil, Gotshal & Manges LLP re: legality.
**8	--	Opinion of Weil, Gotshal & Manges LLP re: tax matters.
10.1	--	Management Agreement, dated as of March 3, 1992 ('Management Agreement'), among GAF, G-I Holdings, G Industries, ISP, GAF Building Materials Corporation and GAF Broadcasting (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 33-72220)).
10.2	--	Amendment No. 1, dated as of January 1, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.10 to G-I Holdings' Form 10-K for the year ended December 31, 1993).
10.3	--	Amendment No. 2, dated as of May 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.1 to G-I Holdings' Form 10-Q for the quarter ended July 3, 1994).
10.4	--	Amendment No. 3, dated as of December 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.4 to ISP's Form 10-K for the year ended December 31, 1994).
10.5	--	Amendment No. 4, dated as of December 31, 1995, to the Management Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 333-2436)).
*10.6	--	Amendment No. 5, dated as of October 18, 1996 to the Management Agreement.
*10.7	--	Indemnification Agreement, dated as of October 18, 1996 among GAF, G-I Holdings, ISP Holdings, G Industries and GCC.
**10.8	--	Tax Sharing Agreement, dated as of January 1, 1997, among ISP Holdings, ISP and certain subsidiaries of ISP.
10.9	--	Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to ISP's Registration Statement on Form S-1, Registration No. 33-40337).
10.10	--	ISP Amended and Restated 1991 Incentive Plan for Key Employees (incorporated by reference to Exhibit 99 to ISP's Registration Statement on Form S-8, No. 33-92518).
10.11	--	Agreement, dated July 30, 1993, between ISP and Carl R. Eckardt (incorporated by reference to Exhibit 10.16 to the Discount Notes Registration Statement).
10.12	--	Stock Appreciation Rights Agreement, dated January 20, 1994, between GAF and James P. Rogers (incorporated by reference to Exhibit 10.20 to G-I Holdings' Form 10-K for the year ended December 31, 1993).

ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.--(CONTINUED)

10.13	--	Indenture, dated as of March 1, 1992, relating to ISP's 9% Senior Notes due March 1, 1999 (incorporated by reference to Exhibit 4 to ISP's Registration Statement on Form S-1, Registration No. 33-44862).
*10.14	--	Letter Agreement dated October 15, 1996 between GAF and Dr. Peter Heinze.
*12	--	Computation of Ratio of Earnings to Fixed Charges.
*21	--	Subsidiaries of ISP Holdings.
**23.1	--	Consent of Arthur Andersen LLP.
**23.2	--	Consent of Weil, Gotshal & Manges LLP (included in Exhibits 5 and 8).
*24	--	Power of Attorney.
*25.1	--	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9% Note Indenture.
*25.2	--	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9 3/4% Note Indenture.
*27.1	--	Financial Data Schedule for fiscal year 1995, which is submitted electronically to the Securities and Exchange Commission for information only.
**27.2	--	Financial Data Schedule for the first nine months of fiscal year 1996, which is submitted electronically to the Securities and Exchange Commission for information only.
**99.1	--	Form of 9% Note Letter of Transmittal.
**99.2	--	Form of 9 3/4% Note Letter of Transmittal.
**99.3	--	Form of 9% Notice of Guaranteed Delivery.
**99.4	--	Form of 9 3/4% Notice of Guaranteed Delivery.
**99.5	--	Form of Exchange Agent Agreement between The Bank of New York and ISP Holdings.

* Previously filed.

** Filed herewith.

(b) Schedules

Consolidated Financial Statement Schedules:

Report of Independent Public Accountants.....	S-1
Schedule II--Valuation and Qualifying Accounts.....	S-2

ITEM 22. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(c) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment to the Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Wayne, State of New Jersey, on the 13th day of February 1997.

ISP HOLDINGS INC.

By: /s/ JAMES P. ROGERS

Name: James P. Rogers
Title: Executive Vice President
and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
----- * ----- Samuel J. Heyman	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 13, 1997
----- /s/ JAMES P. ROGERS ----- James P. Rogers	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 13, 1997
----- * ----- Jonathan H. Stern	Vice President and Controller (Principal Accounting Officer)	February 13, 1997

*By James P. Rogers
Attorney-in-Fact

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To ISP Holdings Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of ISP Holdings Inc. and subsidiaries included in this registration statement and have issued our report thereon dated August 7, 1996. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in item 21(b) is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Roseland, New Jersey
August 7, 1996

S-1

SCHEDULE II

**ISP HOLDINGS INC.
VALUATION AND QUALIFYING ACCOUNTS**

**YEAR ENDED DECEMBER 31, 1993
(THOUSANDS)**

DESCRIPTION	BALANCE JANUARY 1, 1993	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE DECEMBER 31, 1993
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts.....	\$2,105	\$ 392	\$ 184 (a)	\$ 2,313
Reserve for inventory market valuation.....	5,872	5,142	2,023	8,991

**YEAR ENDED DECEMBER 31, 1994
(THOUSANDS)**

DESCRIPTION	BALANCE JANUARY 1, 1994	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE DECEMBER 31, 1994
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts.....	\$2,313	\$ 325	\$ 346 (a)	\$ 2,292
Reserve for inventory market valuation.....	8,991	7,052	6,412	9,631

**YEAR ENDED DECEMBER 31, 1995
(THOUSANDS)**

DESCRIPTION	BALANCE JANUARY 1, 1995	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE DECEMBER 31, 1995
Valuation and Qualifying Accounts Deducted from Assets to Which They Apply:				
Allowance for doubtful accounts.....	\$2,292	\$ 681	\$ 94 (a)	\$ 2,879
Reserve for inventory market valuation.....	9,631	8,861	4,514	13,978

Note:

(a) Represents write-offs of uncollectible accounts net of recoveries.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
*3.1	-- Certificate of Incorporation of ISP Holdings.
*3.2	-- By-laws of ISP Holdings.
*4.1	-- 9% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee.
*4.2	-- 9 3/4% Note Indenture, dated as of October 18, 1996, between ISP Holdings and The Bank of New York, as trustee (including the Registration Rights Agreement of ISP Holdings attached thereto).
*4.3	-- Form of Notes (included in Exhibits 4.1 and 4.2).
*4.4	-- Registration Rights Agreement, dated October 18, 1996, between ISP Holdings and Bear, Stearns & Co. Inc.
**5	-- Opinion of Weil, Gotshal & Manges LLP re: legality.
**8	-- Opinion of Weil, Gotshal & Manges LLP re: tax matters.
10.1	-- Management Agreement, dated as of March 3, 1992 ('Management Agreement'), among GAF, G-I Holdings, G Industries, ISP, GAF Building Materials Corporation and GAF Broadcasting (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 33-72220)).
10.2	-- Amendment No. 1, dated as of January 1, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.10 to G-I Holdings' Form 10-K for the year ended December 31, 1993).
10.3	-- Amendment No. 2, dated as of May 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.1 to G-I Holdings' Form 10-Q for the quarter ended July 3, 1994).
10.4	-- Amendment No. 3, dated as of December 31, 1994, to the Management Agreement (incorporated by reference to Exhibit 10.4 to ISP's Form 10-K for the year ended December 31, 1994).
10.5	-- Amendment No. 4, dated as of December 31, 1995, to the Management Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 of G-I Holdings (Registration No. 333-2436)).
*10.6	-- Amendment No. 5, dated as of October 18, 1996 to the Management Agreement.
*10.7	-- Indemnification Agreement, dated as of October 18, 1996 among GAF, G-I Holdings, ISP Holdings, G Industries and GCC.
**10.8	-- Tax Sharing Agreement, dated as of January 1, 1997, among ISP Holdings, ISP and certain subsidiaries of ISP.
10.9	-- Non-Qualified Retirement Plan Letter Agreement (incorporated by reference to Exhibit 10.11 to ISP's Registration Statement on Form S-1, Registration No. 33-40337).
10.10	-- ISP Amended and Restated 1991 Incentive Plan for Key Employees (incorporated by reference to Exhibit 99 to ISP's Registration Statement on Form S-8, No. 33-92518).
10.11	-- Agreement, dated July 30, 1993, between ISP and Carl R. Eckardt (incorporated by reference to Exhibit 10.16 to the Discount Notes Registration Statement).
10.12	-- Stock Appreciation Rights Agreement, dated January 20, 1994, between GAF and James P. Rogers (incorporated by reference to Exhibit 10.20 to G-I Holdings' Form 10-K for the year ended December 31, 1993).
10.13	-- Indenture, dated as of March 1, 1992, relating to ISP's 9% Senior Notes due March 1, 1999 (incorporated by reference to Exhibit 4 to ISP's Registration Statement on Form S-1, Registration No. 33-44862).
*10.14	-- Letter Agreement dated October 15, 1996 between GAF and Dr. Peter Heinze.
*12	-- Computation of Ratio of Earnings to Fixed Charges.

EXHIBIT NUMBER	DESCRIPTION
*21	-- Subsidiaries of ISP Holdings.
**23.1	-- Consent of Arthur Andersen LLP.
**23.2	-- Consent of Weil, Gotshal & Manges LLP (included in Exhibits 5 and 8).
*24	-- Power of Attorney (included on signature pages to Registration Statement).
*25.1	-- Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9% Note Indenture (bound separately).
*25.2	-- Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939, as amended, of The Bank of New York, as Trustee under the 9 3/4% Note Indenture (bound separately).
*27.1	-- Financial Data Schedule for fiscal year 1995, which is submitted electronically to the Securities and Exchange Commission for information only.
**27.2	-- Financial Data Schedule for the first nine months of fiscal year 1996, which is submitted electronically to the Securities and Exchange Commission for information only.
**99.1	-- Form of 9% Note Letter of Transmittal.
**99.2	-- Form of 9 3/4% Note Letter of Transmittal.
**99.3	-- Form of 9% Notice of Guaranteed Delivery.
**99.4	-- Form of 9 3/4% Notice of Guaranteed Delivery.
**99.5	-- Form of Exchange Agent Agreement between The Bank of New York and ISP Holdings.

* Previously filed.

** Filed herewith.

February 12, 1997

ISP Holdings Inc.
818 Washington Street
Wilmington, Delaware 19801

Gentlemen:

We have acted as counsel to ISP Holdings Inc., a Delaware corporation (the "Company"), in connection with the preparation and filing with the Securities and Exchange Commission of the Company's Registration Statement on Form S-4, File No. 333-17827 (as amended, the "Registration Statement"), under the Securities Act of 1933, as amended, relating to \$325,000,000 principal amount of the Company's Series B 9% Senior Notes due 2003 (the "9% Notes") and \$199,871,000 principal amount of the Company's Series B 9 3/4% Senior Notes due 2002 (the "9 3/4% Notes," and together with the 9% Notes, the "Notes").

In so acting, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the Registration Statement, the Indenture dated as of October 18, 1996, between the Company and The Bank of New York, as trustee (the "Trustee"), pursuant to which the 9% Notes will be issued (the "9% Note Indenture"), the Indenture dated as of October 18, 1996, between the Company and the Trustee, pursuant to which the 9 3/4% Notes will be issued (the "9 3/4% Note Indenture," and together with the 9% Note Indenture, the "Indentures"), the forms of the Notes included as Exhibit 4.3 to the Registration Statement and such corporate records, agreements, documents and other instruments, and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such inquiries of such officers and representatives, as we have deemed relevant and necessary as a basis for the opinion hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies and the authenticity of the originals of such latter documents. As to all questions of fact material to this opinion that have not been independently established, we have relied upon certificates or comparable documents of officers and representatives of the Company.

Based on the foregoing, and subject to the qualifications stated herein, we are of the opinion that the Notes are duly authorized, and, when duly executed on behalf of the Company, authenticated by the Trustee and delivered in accordance with the terms of the Indentures and as contemplated by the Registration Statement, will constitute legal, valid and binding obligations of the Company, enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

The opinion expressed herein is limited to the laws of the State of New York, the corporate laws of the State of Delaware and the federal laws of the United States, and we express no opinion as to the effect on the matters covered by this letter of the laws of any other jurisdiction.

The opinion expressed herein is rendered solely for your benefit in connection with the transactions described herein. This opinion may not be used or relied upon by any other person, nor may this letter or any copies thereof be furnished to a third party, filed with a governmental agency, quoted, cited or otherwise referred to without our prior written consent, except that we hereby

consent to the use of this letter as an exhibit to the Registration Statement. We further consent to the reference to our name under the caption "Legal Matters" in the prospectus which is a part of the Registration Statement.

Very truly yours,

/s/Weil, Gotshal & Manges, LLP

February 3, 1997

WRITER'S DIRECT LINE

ISP Holdings Inc.
818 Washington Street
Wilmington, Delaware 19801

Ladies & Gentlemen:

You have requested our opinion regarding certain federal income tax consequences of (i) the exchanges pursuant to the offers (the "Exchange Offers") by ISP Holdings Inc. (the "Company") of (a) its 9% Senior Notes due 2003 (the "Old 9% Notes") for its Series B 9% Senior Notes due 2003 (the "New 9% Notes") and (b) its 9 3/4% Senior Notes due 2002 (the "Old 9 3/4% Notes") for its Series B 9 3/4% Senior Notes due 2002 (the "New 9 3/4% Notes") and (ii) the ownership, sale and redemption of the New 9% and the New 9 3/4% Notes. (The "Old Notes" and "New Notes" being referred to hereinafter as, collectively, the Old 9% Notes and the Old 9 3/4% Notes and the New 9% Notes and the New 9 3/4% Notes, respectively.)

In formulating our opinion as to the matters certified, we have examined such documents as we have deemed appropriate, including the Registration Statement of the Company on Form S-4 (Registration No. 333-17827) dated December 13, 1996, filed with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended to the date hereof (such Registration Statement as so amended being referred to hereinafter as the "Registration Statement"). Also, we have obtained such additional information as we have deemed relevant and necessary through consultation with various officers and representatives of the Company.

The terms of the Exchange Offers, of the Old Notes and of the New Notes, in each case as set forth in the Registration Statement, are incorporated herein by reference.

Based upon the terms of the Exchange Offers of the Old Notes and of the New Notes, as set forth in the Registration Statement, it is our opinion that the legal discussion of the material federal income tax consequences of consummating the Exchange Offers and holding and disposing of the New Notes, as set forth under the heading "Federal Income Tax Considerations" in the Registration Statement, is accurate in all material respects.

The foregoing opinion is based on current provisions of the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated and proposed thereunder, published pronouncements of the Internal Revenue Service, and case law, any of which may be changed at any time with retroactive effect. No opinion is expressed on any matters other than those specifically referred to herein.

We hereby consent to your filing this opinion as an exhibit to the Registration Statement and to the reference to our firm therein.

Very truly yours,

/s/Weil, Gotshal & Manges LLP

TAX SHARING AGREEMENT

THIS TAX SHARING AGREEMENT made as of the 1st day of January, 1997, by and among ISP Holdings Inc., a Delaware corporation ("Holdings"), International Specialty Products Inc., a Delaware corporation ("ISP"), and each of the following Delaware corporations: Bluehall Incorporated, ISP (Puerto Rico) Inc., ISP Chemicals Inc., ISP Environmental Services Inc., ISP Filters Inc., ISP Fine Chemicals Inc., ISP Global Technologies Inc., ISP International Corp., ISP International Filters Inc., ISP Investments Inc., ISP Management Company Inc., ISP Mineral Products Inc., ISP Minerals Inc., ISP Newark Inc., ISP Real Estate Company, Inc., ISP Realty Corporation, ISP Technologies Inc., ISP Van Dyk Inc., and Verona Inc.;

WHEREAS, Holdings is the common parent of an affiliated group of corporations within the meaning of Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code") and ISP is a member of said affiliated group;

WHEREAS, Holdings and ISP wish to provide for the allocation among them of the consolidated federal income tax liability of said affiliated group and certain related matters;

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual covenants contained herein, it is agreed as follows:

1. Definitions

a. Where applicable, terms used in this Agreement shall have the meanings ascribed to them in, and shall be interpreted in accordance with, the Code, and the regulations and rulings issued thereunder, as in effect from time to time.

b. For purposes of this Agreement, the terms set forth below shall be defined as follows:

(i) Holdings Group -- Holdings, ISP and all corporations (whether now existing or hereafter formed or acquired) that at the time join with Holdings (or any successor common parent corporation) in filing a consolidated federal income tax return.

(ii) Parent -- Holdings, or any successor common parent corporation of the Holdings Group.

(iii) ISP -- ISP, or any successor corporation.

(iv) ISP Group -- ISP and any subsidiary corporation (whether now existing or hereafter formed or acquired) which would be included in the affiliated group of corporations (as defined in Section 1504(a) of the Code) of

which ISP would be the common parent but for the inclusion of ISP in the Holdings Group.

(v) Holdings Group Actual Tax Liability -- The consolidated federal income tax liability reported on the consolidated federal income tax return filed by the Holdings Group for the taxable year.

(vi) ISP Group Tax Liability -- The hypothetical consolidated federal income tax liability, determined at the end of the taxable year, of the ISP Group computed as if the ISP Group had filed its own consolidated federal income tax return for such taxable year and all prior taxable years beginning January 1, 1997 or thereafter during the term of this Agreement; provided, that an item which was not taken into account in calculating the ISP Group Tax Liability in any such prior year by reason of the limitations set forth in this definition shall be carried forward to the subsequent year (if the carryforward of such item shall not have expired under applicable provisions of the Code) and shall be taken into account in computing the ISP Group Tax Liability in such subsequent year, subject to the limitations set forth in this definition: (1) subject to the modifications specified in Treas. Reg. Sec. 1.1552-1(a)(2)(ii), other than the modifications specified in Treas. Reg. Sec. 1.1552-1(a)(2)(ii) (a) and Treas. Reg. Sec.

1.1552-1(a)(2)(ii)(b); (2) using the highest marginal federal income tax corporate rate applicable to such taxable year; (3) using the same elections and methods of accounting as are used with respect to the ISP Group in the determination of the Holdings Group Actual Tax Liability; (4) using an amount of carryback and carryforward of ISP Group deduction, loss or credit to offset the ISP Group's hypothetical consolidated federal taxable income (or, in the case of credits against tax, liability for tax) after taking into account all items of deduction, loss or credit of all members of the Holdings Group for the current taxable year; (5) except in the case of foreign tax credits, using an amount of the ISP Group deduction, loss or credit (whether currently or as a carryback or carryforward) to offset the ISP Group's hypothetical consolidated federal taxable income (or, in the case of credits against tax, liability for tax) only when and to the extent such deduction, loss or credit reduces the Holdings Group Actual Tax Liability or reduces the Holdings Group actual consolidated federal taxable income for such year during the term of this Agreement (taking any carryback or carryforward of such deduction, loss or credit into account on a pro rata basis with those of all members of the Holdings Group other than the ISP Group); provided, that the limitation in this clause (5)

shall not apply to those items ("ISP Group Excepted Items") of deduction, loss or credit for the taxable year or those items comprising the net operating loss deduction, in both cases to the extent such items are not subject to a specific limitation under the Code (e.g., in the case of an ISP Group capital loss, the limitation in this clause (5) shall apply (i.e., it can be used only when and to the extent such loss reduces the Holdings Group Actual Tax Liability or reduces the Holdings Group actual consolidated federal taxable income for such year during the term of this Agreement) and in the case of an ordinary and necessary business expense of the ISP Group the limitation in this clause (5) shall not apply); (6) using an amount of the ISP Group foreign tax credit in any taxable year to offset the ISP Group's hypothetical consolidated federal tax liability for such year as follows: (A) if the Holdings Group Actual Tax Liability for such taxable year (determined without regard to the ISP Group's foreign tax credit for such year) does not exceed \$12,000,000, using an amount of the ISP Group's foreign tax credit generated in such taxable year not to exceed \$12,000,000; provided, if the Holdings Group Actual Tax Liability for such taxable year exceeds zero by reason of income attributable to ISP, the amount of ISP's foreign tax credit utilized in such taxable year would be reduced by

the amount of such excess; (B) if the Holdings Group Actual Tax Liability for such taxable year (determined without regard to the ISP Group's foreign tax credit for such year) exceeds \$12,000,000, using an amount of the ISP Group's foreign tax credit generated in such taxable year not to exceed the amount of foreign tax credit actually utilized by Parent to reduce the Holdings Group Actual Tax Liability for such taxable year (taking such credit into account on a pro rata basis with those of all members of the Holdings Group other than the ISP Group for such taxable year, but prior to taking into account any carryforward of credits generated in prior taxable years); and (C) using an amount of carryback and carryforward of the ISP Group's foreign tax credit only when and to the extent such credit reduces the Holdings Group Actual Tax Liability during the term of this Agreement (taking such carryforward or carryback into account on a pro rata basis with those of all members of the Holdings Group other than the ISP Group); and (7) without regard to any change or adjustment to the tax attributes, including basis in assets, of any member of the Holdings Group arising from the transactions relating to the formation of the ISP Group. The ISP Group Tax Liability shall be determined each taxable year by Parent in its sole discretion.

(vii) ISP Group Estimated Tax Liability -- ISP Group's Tax Liability, determined through the end of each period for which estimated federal income tax payments on a consolidated basis are due. The ISP Group Estimated Tax

Liability shall be determined each taxable year by Parent in its sole discretion, in accordance with the principles of subparagraph 1(b)(vi) hereof.

(viii) ISP Group Tax Refund -- The hypothetical consolidated federal income tax refund for any year to which the ISP Group would be entitled, determined in accordance with the principles of subparagraph 1(b)(vi) and using an amount of carryback of ISP Group Excepted Items only when and to the extent such deduction, loss or credit reduces the Holdings Group Actual Tax Liability or reduces the Holdings Group actual consolidated federal taxable income for such year during the term of this Agreement (taking such deduction, loss or credit into account on a pro rata basis with those of all members of the Holdings Group other than the ISP Group); provided, such loss, deduction or credit has not been previously utilized to reduce the ISP Group Tax Liability or the ISP Group hypothetical consolidated federal taxable income. The ISP Group Tax Refund shall be determined each taxable year by Parent in its sole discretion.

(ix) tax -- regular corporate income tax or corporate alternative minimum tax and environmental tax together with any and all interest, additions to tax, fines and penalties payable with respect thereto.

2. PAYMENTS OF CONSOLIDATED FEDERAL INCOME TAX LIABILITY; FILING OF RETURNS

a. Tax Payments by Parent; Filing of Returns

Parent shall file consolidated federal income tax returns and estimated tax returns for each taxable year during the term of this Agreement, which returns shall include the ISP Group, and shall pay in full any tax shown on such returns.

b. Payment of ISP Group Tax Liability

For each taxable year or portion thereof during which ISP is included in a consolidated federal income tax return with Parent, ISP will pay to Holdings an amount equal to the ISP Group Tax Liability. To the extent that the obligation to pay such amount has not been fully satisfied pursuant to paragraph 2(c), ISP shall pay any such remaining amount to Holdings no later than five (5) days prior to the due date for the filing by Parent of the consolidated

federal income tax return for the Holdings Group (without regard to extensions).

c. Estimated Payments

On any date on which Parent is to make an estimated federal income tax payment of the Holdings Group on a consolidated basis, ISP will make an estimated payment to Holdings in an amount equal to the ISP Group Estimated Tax Liability (reduced by all prior payments required to be made by ISP under this paragraph 2(c) with respect to the same taxable year). If the total of such estimated payments made by ISP to Holdings with respect to a taxable year shall be in excess of the liability of ISP to Holdings pursuant to paragraph 2(b) for such taxable year, Holdings shall pay the amount of such excess to ISP, (x) to the extent that such excess (or part thereof) represents all or part of a tax refund to be received by the Holdings Group, no later than five (5) days after the receipt of such refund with an allocable share of interest received thereon (net of tax; provided, such interest shall not be treated as an item of income of the ISP Group under this Agreement); (y) to the extent such excess (or part thereof) represents all or part of a credit against the Holdings Group's estimated tax for a succeeding taxable year, no later than five (5) days after such estimated tax payments against which such excess is

credited is to be paid by the Parent; or (z) to the extent (x) and (y) do not apply to such excess (or part thereof), no later than the date on which Parent files the consolidated federal income tax return for the Holdings Group.

d. Tax Refunds

(i) Holdings shall pay to ISP the amount of any ISP Group Tax Refund for each taxable year ending after the date hereof.

(ii) The payments described in this paragraph 2(d) shall be made no later than (i) in the case of an actual refund to which the Holdings Group is entitled, five (5) days after such refund is received by Parent on behalf of the Holdings Group or (ii) otherwise, five (5) days after the date on which Parent files the consolidated federal income tax return for the Holdings Group.

3. CHANGES IN TAX LIABILITY

a. If any of the Holdings Group consolidated federal income tax returns for taxable years of Holdings ending on or after January 1, 1997 is changed or otherwise adjusted (including, without limitation, by reason of the filing of an amended return, a "final determination" as defined in Section 1313(a) of the Code or any of the events specified in Section 6213(b) or (d) of the Code), then the amount of the

events specified in Section 6213(b) or (d) of the Code), then the amount of the payment required (1) from ISP to Holdings under paragraph 2(b) or

(2) from Holdings to ISP under paragraph 2(d), as the case may be, shall be recomputed by substituting the amount of the Holdings Group Actual Tax Liability (or the Holdings Group actual consolidated federal taxable income), the ISP Group Tax Liability (or the ISP Group hypothetical consolidated federal taxable income), or the ISP Group Tax Refund after the adjustments described above in place of the Holdings Group Actual Tax Liability (or the Holdings Group actual consolidated federal taxable income), the ISP Group Tax Liability (or the ISP Group hypothetical consolidated federal taxable income), or the ISP Group Tax Refund as previously computed. Not later than (i) five (5) days prior to the due date for any additional payment of tax by the Holdings Group or five (5) days after the receipt of a refund or (ii) five (5) days after the event giving rise to the recomputation if such event will not result in the payment of additional tax or the receipt of a refund, ISP shall pay to Holdings, or Holdings shall pay to ISP, as the case may be, the difference between the new ISP Group Tax Liability (or Refund) and the amounts previously paid. The parties recognize that such new liability (or Refund) for

any taxable year is not necessarily the Holdings Group's or the ISP Group's final liability for that taxable year, and may be recomputed in accordance with this paragraph 3(a) more than once.

b. If any of the Holdings Group consolidated federal income tax returns for taxable years of Holdings ending on or before January 1, 1997 is changed or otherwise adjusted (including, without limitation, by reason of the filing of an amended return, a "final determination" as defined in Section 1313

(a) of the Code or any of the events specified in Section 6213(b) or (d) of the Code), then ISP shall pay to Holdings an amount equal to any tax that would be payable by reason of any such change or adjustment relating to the business or assets of ISP (other than taxes, if any, arising from the transactions relating to the formation of ISP Group). Such payments shall be determined by Parent, in its sole discretion, in accordance with principles analogous to these set forth herein and shall be made not later than (i) five (5) days prior to the due date for any additional payment of tax by the Holdings Group or (ii) five (5) days after the event giving rise to the change or adjustment if such event will not result in the payment of additional tax. The parties recognize that such payment for any taxable year is not necessarily the ISP Group's

final liability under this paragraph 3(b) for that taxable year, and may be recomputed in accordance with this paragraph 3(b) more than once.

c. Payments made pursuant to paragraph (a) shall include an allocable portion of any interest paid or credited by the Internal Revenue Service (net of tax; provided, such interest shall not be treated as an item of income of the ISP Group); payments made pursuant to paragraphs (a) and (b) shall not themselves bear interest.

4. NEW MEMBERS

If sufficient stock of any corporation is acquired hereafter by any member of the ISP Group so that the corporation becomes a member of the ISP Group ("New Member"), the New Member shall become a party to this Agreement by delivering to the Parent a written instrument to such effect. ISP shall use its best efforts, if so requested by Holdings, to cause the delivery of such written instrument and the execution of Form 1122, Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return. The parties hereto hereby agree to the inclusion of any such New Member as a party to this Agreement.

5. ALLOCATION OF STATE AND LOCAL INCOME TAX LIABILITY

a. In the event that (i) any member of the ISP Group and (ii) at least one member of the Holdings Group not including any member of the ISP Group elect or are required to file consolidated, combined or unitary state or local income tax returns or otherwise become liable for state or local income taxes determined on a consolidated, combined or unitary basis, principles analogous to those set forth herein for the payment of consolidated federal income tax liability and refunds thereof shall be used to determine the respective shares of such taxes and the amount of any payments due ISP from Holdings on behalf of all members of the Holdings Group other than the ISP Group and the amount and timing of payments to be made in respect thereof.

b. If the Holdings Group consolidated, combined or unitary state or local income tax returns or the separate state or local income tax returns of Holdings or any member of the Holdings Group, in both cases for taxable years of Holdings ending on or before January 1, 1997 are changed or otherwise adjusted (including, without limitation, by reason of the filing of an amended return, a "final determination" as defined in Section 1313(a) of the Code or any of the events specified in Section 6213(b) or (d) of the Code), then ISP shall pay to Holdings an amount

equal to any tax that would be payable by reason of any such change or adjustment relating to the business or assets of the ISP Group (other than taxes, if any, arising from the transactions relating to the formation of the ISP Group). Such payments shall be determined by Parent, in its sole discretion, in accordance with principles analogous to those set forth herein and shall be made not later than (i) five (5) days prior to the due date for any additional payment of tax by the Holdings Group or (ii) five (5) days after the event giving rise to the change or adjustment if such event will not result in the payment of additional tax. The parties recognize that such payment for any taxable year is not necessarily the ISP Group's final liability under this paragraph 5(b) for that taxable year, and may be recomputed in accordance with this paragraph 5(b) more than once. Payments made pursuant to this paragraph (b) shall not themselves bear interest.

6. PAYMENT

a. Any payment required by ISP to Holdings under paragraph 2(b), paragraph 2(c), paragraph 9(c) or paragraph 9(d) shall be made (i) first, by reducing the amount of any account payable of Holdings to the ISP Group

created under paragraph 6(b) (but not below zero) and (ii) thereafter in cash.

b. Any payment required by Holdings to ISP pursuant to paragraph 2(d) shall be made at the option of Holdings (i) in cash or (ii) by entering or increasing an account payable of Holdings to ISP on the books of account of Holdings; provided that Holdings shall pay to ISP the amount of any ISP Group Tax Refund for a taxable year ending after the date hereof in cash if and to the extent that the Holdings Group receives a refund from a taxing authority for such taxable year, together with an allocable share of any interest received with respect thereto (net of tax; provided, such interest shall not be treated as an item of income of the ISP Group under this Agreement); and provided, further, that Holdings shall not pay to ISP an amount greater than the amount of refund with interest actually received thereon (net of tax; provided, such interest shall not be treated as an item of income of the ISP Group under this Agreement) received from the taxing authority.

c. Any account payable created under this paragraph 6 from Holdings to ISP shall be due on the earlier of (i) such date as Holdings no longer owns (directly or indirectly) more than 50% of the outstanding stock of ISP or (ii) the dates of the filing of federal income tax returns

of ISP for taxable years of ISP following the last taxable year in which it was a member of the Holdings Group to the extent each such return reflects a tax

liability which would have reduced the account payable under paragraph 6(a) were ISP still a member of the Holdings Group and subject to the terms of this Agreement.

7. SPECIAL PROVISIONS REGARDING ISP GROUP'S FOREIGN TAX CREDIT

a. At the end of each taxable year, Holdings shall enter or increase an account payable of Holdings to ISP in an amount equal to the excess, if any, of the ISP Group's foreign tax credits for such year (subject to the foreign tax credits being allowed under ISP Group's separate foreign tax credit limitation, taking into account carrybacks and carryforwards under Section 904 of the Code) over the ISP Group's foreign tax credits taken into account under subparagraph 1(b)(vi)(6)(A) or subparagraph 1(b)(vi)(6)(B) (such excess being referred to as "Excess Foreign Tax Credits").

b. Such account payable shall be reduced (i) at the end of each taxable year of ISP during the term of this Agreement to the extent that Excess Foreign Tax Credits are utilized under subparagraph 1(b)(vi)(6)(C) and (ii) at the end of each taxable year of ISP following the

last taxable year in which it was a member of the Holdings Group to the extent the federal income tax return of ISP for such taxable year reflects a tax liability which is reduced by such Excess Foreign Tax Credits (taking such Excess Foreign Tax Credits into account prior to those of ISP and all other members of the ISP Group).

c. The balance of such account payable, if any, shall be paid from time to time on the date that is thirty (30) days following the expiration of the statute of limitations on assessment of tax for the last year to which such Excess Foreign Tax Credits or item thereof may be carried forward.

8. PROCEDURAL MATTERS

Parent shall prepare and file the consolidated federal income tax returns, consolidated, combined or unitary state or local income tax returns and any other returns, documents or statements required to be filed with respect to the determination of the consolidated, combined or unitary federal, state or local income tax liability of the Holdings Group or members thereof for all taxable years of the Holdings Group or members thereof (including taxable years ending prior to or including the date hereof). In its sole discretion, Parent shall have the right to make all

decisions with respect to such returns and all matters relating to the federal, state or local income tax liability of the Holdings Group and members thereof for all taxable years of the Holdings Group or members thereof (including taxable years ending prior to or including the date hereof) including, without limitation, the right (a) to determine (i) the manner in which such returns, documents or statements shall be prepared and filed, including, without limitation, the manner in which any item of income, gain, loss, deduction or credit shall be reported and whether any amended returns shall be filed, (ii) whether any filing extensions may be requested and (iii) the elections that will be made by any member, (b) to contest, compromise or settle any adjustment or deficiency proposed, asserted or assessed as a result of any audit of such returns, (c) to file, prosecute, compromise or settle any claim for refund and (d) to determine whether any refunds, to which the Holdings Group may be entitled, shall be paid by way of refund or credited against the tax liability for the affiliated group. Each member of the Holdings Group hereby irrevocably appoints Parent as its agent and attorney-in-fact to take such action (including the execution of documents) as Parent may deem appropriate to effect the foregoing.

9. TERMINATION OF AFFILIATION.

a. In the event that any member of the ISP Group ceases to be included in the Holdings Group ("Former Member"), the Parent and the Former Member shall furnish each other with information required to prepare (i) the consolidated federal income tax return of the Holdings Group for the last taxable year in which the Former Member had been included in the Holdings Group and (ii) the federal income tax returns for all taxable years thereafter of the Former Member (and its predecessors and subsidiaries) and the Parent, respectively, in which the tax liability of either may be affected by their former affiliation (including, for example, the apportionment of any consolidated net operating or capital loss or investment or foreign tax credit carryover to the Former Member). The Former Member shall not, without the prior written consent of the Parent (which may be withheld by Parent in its sole discretion), file an application for a carryback adjustment of the tax, for a taxable year in which the Former Member was included in the Holdings Group and a consolidated federal income tax return was filed, by reason of a net operating loss deduction. The Former Member may file an application for a carryback adjustment of the tax for a taxable year in which the Former Member was included in the

Holdings Group and a consolidated federal income tax return was filed by reason of a capital loss or tax credit carryback and shall be entitled to that portion of the actual refund that is attributable to the Former Member under the consolidated return regulations; provided, however, that the Former Member shall not be entitled to any portion of such refund to the extent the items giving

rise to such carryback have been previously utilized to reduce the ISP Group Tax Liability (or the ISP Group hypothetical consolidated federal taxable income) or gave rise to an ISP Group Tax Refund.

b. The Parent and its subsidiaries and the Former Member shall also furnish each other with all information in their hands as may be reasonably requested by the other and relates to a taxable year in which the Former Member had been included in the Holdings Group.

c. If the Former Member has a carryforward of a deduction, loss or credit to a taxable year following the last taxable year in which it joined in the filing of a consolidated federal income tax return with the Holdings Group which has reduced the ISP Group Tax Liability (or the ISP Group hypothetical consolidated federal taxable income) or gave rise to an ISP Group Tax Refund, then ISP shall pay

to Holdings, at the time such carryforward is actually utilized, an amount equal to the benefit derived therefrom.

d. If the Former Member, in a taxable year following the last taxable year in which it joined in the filing of a consolidated federal income tax return with the Holdings Group, realizes any tax benefit by reason of any change or adjustment to the tax attributes, including basis in assets, of any member of the Holdings Group arising from the transactions relating to the formation of the ISP Group, then ISP shall pay to Holdings at the time such benefits are actually utilized the amount of benefit derived therefrom.

e. Payments which would have been required under paragraphs 2, 3 or 5 to or by a Former Member, were the Former Member still a member of the Holdings Group, and with respect to taxable year(s) for which the Former Member was a member of the Holdings Group, shall be made in accordance with principles analogous to those set forth in such paragraph(s) and at the time(s) set forth therein.

10. DETERMINATIONS

In the case of a dispute, all determinations required hereunder for each taxable year shall be made by the independent public accountants regularly employed by Parent at the time the return is filed for such taxable

year. Such determination shall be binding and conclusive upon the parties for the purposes hereof.

11. EFFECTS OF AGREEMENT

a. As among Parent, and the ISP Group, the provisions of this Agreement shall fix the liability of each to the other as to the matters covered hereunder, even if such provisions are not controlling for tax or other purposes (including, but not limited to, the computation of earnings and profits for federal income tax purposes), and even if Parent and other corporations which now are, or which from time to time may become, members of the Holdings Group enter into other arrangements for the allocation of the portion of the total tax liability of the Holdings Group which is allocable to them.

b. This Agreement shall be effective as of January 1, 1997 and shall remain in effect for each taxable year ending after the date hereof during which ISP or any of its domestic subsidiaries, as the case may be, is included in a consolidated federal income tax return filed by the Parent; provided, however, that the provisions of paragraphs 2, 3, 5, 6, 7, 9 and 12 shall survive until thirty (30) days after the expiration of the statute of limitations on assessment of tax for the last year in which ISP or any of

its domestic subsidiaries, as the case may be, was a member of the Holdings Group.

12. INDEMNITY

- a. Each member of the ISP Group agrees, jointly and severally, to indemnify Parent and each other member of the Holdings Group for the amount of any tax paid by Parent or such other member (whether by application of Treas. Reg. Sec. 1.1502-6 or similar provision of state or local law or otherwise) which constitutes any unpaid ISP Group Tax Liability under this Agreement.
- b. Parent and each signatory to this Agreement (other than members of the ISP Group) agrees, jointly and severally, to indemnify the ISP Group for the amount of any tax paid by the ISP Group (whether by application of Treas. Reg. Sec. 1.1502-6 or similar provision of state or local law or otherwise) in excess of the amount which constitutes any ISP Group Tax Liability.
- c. Any indemnity payable pursuant to paragraph 12(a) or 12(b) hereof shall be payable on demand by the indemnitor(s) immediately after the indemnitee pays such indemnified liability and provides proof of payment to the indemnitor.

If an indemnity is not paid within five (5) business days following a demand, the amount owed shall bear interest at the Base Rate (as

that term is defined in the Credit Agreement, dated as of July 26, 1996, among International Specialty Products Inc., its principal domestic subsidiaries, The Chase Manhattan Bank (National Association), as Administrative Agent and the Banks named therein) plus two percent.

13. MISCELLANEOUS PROVISIONS

- a. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter contained herein. No alteration, amendment or modification of any of the terms of this Agreement shall be valid unless made by an instrument signed in writing by an authorized officer of each party.
- b. This Agreement has been made in and shall be construed and enforced in accordance with the laws of the State of Delaware from time to time obtaining.
- c. This Agreement shall be binding upon and inure to the benefit of each party hereto and its respective successors and assigns.
- d. All notices and other communications hereunder shall be deemed to have been duly given if

delivered by hand or mailed, certified or registered mail, with postage prepaid addressed to the party to which the notice or other communication is given at 1361 Alps Road, Wayne, New Jersey 07470.

e. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

f. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not constitute a part hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ISP HOLDINGS CORPORATION

By: /s/ Mark A. Presto

Its: Vice President

**INTERNATIONAL SPECIALTY
PRODUCTS INC.**

By: /s/ Mark A. Presto

Its: Vice President

**BLUEHALL INCORPORATED
ISP (PUERTO RICO) INC.
ISP CHEMICALS INC.
ISP ENVIRONMENTAL SERVICES INC.
ISP FILTERS INC.
ISP FINE CHEMICALS INC.
ISP GLOBAL TECHNOLOGIES INC.
ISP INTERNATIONAL CORPORATION
ISP INTERNATIONAL FILTERS INC.
ISP INVESTMENTS INC.
ISP MANAGEMENT COMPANY, INC.
ISP MINERAL PRODUCTS INC.
ISP MINERALS INC.
ISP NEWARK INC.
ISP REAL ESTATE COMPANY, INC.
ISP REALTY CORPORATION
ISP TECHNOLOGIES INC.
ISP TECHNOLOGIES INC.
ISP VAN DYK INC.
VERONA INC.**

By: /s/ Mark A. Presto

Their: Vice President

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

ISP Holdings Inc.:

As independent public accountants, we hereby consent to the use of our report and all references to our firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Roseland, New Jersey
February 13, 1997

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORM S-4 REGISTRATION STATEMENT OF ISP HOLDINGS INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

RESTATED:

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD END	SEP 29 1996
CASH	11,767
SECURITIES	99,952
RECEIVABLES	72,764
ALLOWANCES	2,916
INVENTORY	98,354
CURRENT ASSETS	572,179
PP&E	482,416
DEPRECIATION	184,250
TOTAL ASSETS	1,537,288
CURRENT LIABILITIES	159,134
BONDS	239,760
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	0
OTHER SE	61,653
TOTAL LIABILITY AND EQUITY	1,537,288
SALES	544,135
TOTAL REVENUES	544,135
CGS	320,295
TOTAL COSTS	320,295
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	21,879
INCOME PRETAX	98,202
INCOME TAX	35,647
INCOME CONTINUING	51,753
DISCONTINUED	26,215
EXTRAORDINARY	(8,186)
CHANGES	0
NET INCOME	69,782
EPS PRIMARY	0
EPS DILUTED	0

**LETTER OF TRANSMITTAL
ISP HOLDINGS INC.
OFFER FOR ALL OUTSTANDING
9% SENIOR NOTES DUE 2003
IN EXCHANGE FOR
SERIES B 9% SENIOR NOTES DUE 2003**

PURSUANT TO THE PROSPECTUS, DATED FEBRUARY , 1997

THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT NEW YORK CITY TIME, ON MARCH , 1997, (THE 'EXPIRATION DATE'). TENDERS MAY BE WITHDRAWN PRIOR TO 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THE EXPIRATION DATE.

The Bank of New York

By Registered or Certified Mail:
The Bank of New York
101 Barclay Street - 7E
New York, New York 10286
Attn: Reorganization Section

Facsimile Transmission Number:
(Eligible Institutions and
Withdrawal Notices Only)
(212) 571-3080
Confirm by Telephone:
(212) 815-2742

By Hand/Overnight Delivery:
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
Ground Level
New York, New York 10286
Attn: Reorganization Section

For Information Call:
(212) 815-6333

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS BY ELIGIBLE INSTITUTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges that he or she has received the Prospectus, dated February , 1997 (the 'Prospectus'), of ISP Holdings Inc., a Delaware corporation (the 'Company'), and this Letter of Transmittal (the 'Letter'), which together constitute the Company's offer (the 'Exchange Offer') to exchange an aggregate principal amount at maturity of up to \$325,000,000 of Series B 9% Senior Notes due 2003 (the 'New Notes') of the Company for a like principal amount at maturity of the issued and outstanding 9% Senior Notes due 2003 (the 'Old Notes') of the Company from the holders thereof.

For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount at maturity equal to that of the surrendered Old Note. Holders whose Old Notes are accepted for exchange will receive accrued interest thereon to, but not including, the date of issuance of such New Notes, such interest to be payable with the first interest payment on

the New Notes. Interest on the New Notes will accrue from their respective dates of issuance. Holders of Old Notes accepted for exchange will be deemed to have waived the right to receive any other payments or interest on the Old Notes. The Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term 'Expiration Date' shall mean the latest time and date to which the Exchange Offer is extended. The Company shall notify the holders of the Old Notes of any extension by means of a press release or other public announcement prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter is to be completed by a holder of Old Notes either if certificates are to be forwarded herewith or if a tender of certificates for Old Notes, if available, is to be made by book-entry transfer to the account maintained by The Bank of New York (the 'Exchange Agent') at The Depository Trust Company (the 'Book-Entry Transfer Facility') pursuant to the procedures set forth in 'The Exchange Offers--Book-Entry Transfer' section of the Prospectus. Holders of Old Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility (a 'Book-Entry Confirmation') and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Old Notes according to the guaranteed delivery procedures set forth in 'The Exchange Offers--Guaranteed

Delivery Procedures' section of the Prospectus. See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount at maturity of Old Notes should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES	1	2	3
Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate Number(s) *	Aggregate Principal Amount at Maturity of Old Note(s)	Principal Amount at Maturity Tendered**
Total			

* Need not be completed if Old Notes are being tendered by book-entry transfer.

** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Old Notes represented by the Old Notes indicated in column 2. See Instruction 2. Old Notes tendered hereby must be in denominations of principal amount at maturity of \$1,000 and any integral multiple thereof. See Instruction 1.

// CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution

Account Number Transaction Code Number

// CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s)

Window Ticket Number (if any)

Date of Execution of Notice of Guaranteed Delivery

Name of Institution which guaranteed delivery

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number Transaction Code Number

// CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name:

Address:

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

1. Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount at maturity of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.
2. The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the holder of such Old Notes nor any such other person is engaging in or intends to engage in a distribution of such New Notes, that neither the holder of such Old Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the holder of such Old Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.
3. The undersigned also acknowledges that the Exchange Offer is being made in reliance on an interpretation, made to third parties, by the staff of the Securities and Exchange Commission (the "SEC") that the New Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business, such holders are not engaging in and do not intend to engage in the distribution of such New Notes and such holders have no arrangements with any person to participate in the distribution of such New Notes. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. However, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.
4. The undersigned may, if, and only if, it would not receive freely tradeable New Notes in the Exchange Offer or is not eligible to participate in

the Exchange Offer, elect to have its Old Notes registered in the shelf registration described in the Registration Rights Agreement, dated as of October 18, 1996, between the Company and Bear, Stearns & Co. Inc. (the 'Registration Agreement') in the form filed as Exhibit 4.4 to the Registration Statement of the Company, Registration No. 333-17827. Capitalized terms used in this paragraph 4 and not otherwise defined herein shall have the meanings given them in the Registration Agreement. Such election may be made by checking the box under 'Special Registration Instructions' below. By making such election, the undersigned agrees, as a holder of Old Notes participating in a Shelf Registration, to comply with the Registration Agreement and to indemnify and hold harmless the Initial Purchaser and each person, if any, who controls the Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and the Company, each director and officer of the Company and each person, if any, who controls the Company within the meaning of either such Section, from and against any losses, claims, damages and liabilities or any actions in respect thereof, to which the Initial Purchaser or any controlling person of the Initial Purchaser, and the Company or any of its directors, officers or controlling persons may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon any omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the undersigned specifically for inclusion therein; and, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any director, officer or controlling person thereof in connection with the investigation or defending or preparing to defend against or appearing as a third-party witness in connection with any loss, claim, damage, liability or action in respect thereof. Any such indemnification shall be governed by the terms and subject to the conditions set forth in the Registration Agreement, including, without limitation, the provisions regarding notice, retention of counsel, contribution and payment of expenses set forth therein. The above summary

of the indemnification provisions of the Registration Agreement is not intended to be exhaustive and is qualified in its entirety by the Registration Agreement.

5. The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in 'The Exchange Offers--Withdrawal Rights'

section of the Prospectus. See Instruction 9.

6. Unless otherwise indicated in the box entitled 'Special Issuance Instructions' below, please issue the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled 'Special Delivery Instructions' below, please send the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled 'Description of Old Notes.'

The undersigned acknowledges that the Exchange Offer is subject to the more detailed terms set forth in the Prospectus and, in case of any conflict between the terms of the Prospectus and this Letter, the Prospectus shall prevail.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be issued in the name of someone other than the person or persons whose signature(s) appear(s) on this Letter below, or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue: New Notes and/or Old Notes to:

Name (s)
(Please Type or Print)

.....
(Please Type or Print)

Address.....
.....
(Zip Code)

.....
(Book-Entry Transfer Facility
Account Number, if applicable)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter below or to such person or persons at an address other than shown in the box entitled "Description of Old Notes" on this Letter above.

Mail: New Notes and/or Old Notes to:

Name(s).....
(Please Type or Print)

.....
(Please Type or Print)

Address.....
.....
(Zip Code)

SPECIAL REGISTRATION INSTRUCTIONS

(See Paragraph 4 above)

To be completed ONLY IF (i) the undersigned satisfies the conditions set forth in paragraph 4 above, (ii) the undersigned elects to register its Old Notes in the shelf registration described in the Registration Agreement, and (iii) the undersigned agrees to comply with the Registration Agreement and to indemnify certain entities and individuals as set forth in paragraph 4 above.

[] By checking this box the undersigned hereby (i) represents that it is entitled to have its Old Notes registered in a shelf registration in accordance with the Registration Agreement, (ii) elects to have its Old Notes registered pursuant to the shelf registration described in the Registration Agreement, and (iii) agrees to comply with the Registration Agreement and to indemnify certain entities and individuals identified in, and to the extent provided in, paragraph 4 above.

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 12:00 MIDNIGHT NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL
CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

PLEASE SIGN HERE

(TO BE COMPLETED BY ALL TENDERING HOLDERS)

x 1997
x 1997
x 1997

Signature(s) of Owner Date

Area Code and Telephone Number

If a holder is tendering any Old Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):
.....

(Please Type or Print)

Capacity:

Address:
.....

(Including Zip Code)

Employer Identification or
Social Security Number
(Please complete Substitute Form W-9, if applicable.

See "Important Tax Information" below)

SIGNATURE GUARANTEE (if
required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution:

(Authorized Signature)

.....

(Title)

.....

(Name and Firm)

INSTRUCTIONS

1. Delivery of this Letter and Notes; Guaranteed Delivery Procedures. This Letter is to be completed by holders of Old Notes either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in 'The Exchange Offers--Book-Entry Transfer' section of the Prospectus. Certificates for all physically tendered Old Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile thereof), with any required signature guarantees, and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Old Notes tendered hereby must be in denominations of principal amount at maturity of \$1,000 or any integral multiple thereof.

Noteholders whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in 'The Exchange Offers--Guaranteed Delivery Procedures' section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) on or prior to 12:00 midnight, New York City time, on the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ('NYSE') trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and all other documents required by this Letter, must be received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

THE METHOD OF DELIVERY OF THIS LETTER, THE OLD NOTES AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE TENDERING HOLDERS, BUT THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIMES SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT PRIOR TO 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE COMPANY.

See 'The Exchange Offers' section in the Prospectus.

2. Partial Tenders. If less than all of the Old Notes evidenced by a submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount at maturity of Old Notes to be tendered in the box above entitled 'Description of Old Notes--Principal Amount at Maturity Tendered.' A reissued certificate representing the balance of nontendered Old Notes of a tendering holder who physically delivered Old Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. All of the Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures on this Letter; Bond Powers and Endorsements; Guarantee of Signatures. If this Letter is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder or holders of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Notes are to be issued, or any untendered Old Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s) and signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when

signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted with this Letter.

Endorsements on certificates for Old Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program (each an 'Eligible Institution' and collectively, 'Eligible Institutions').

Signatures on the Letter need not be guaranteed by an Eligible Institution if (A) the Old Notes are tendered (i) by a registered holder of Old Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Old Notes) who has not completed the box entitled 'Special Issuance Instructions' or 'Special Delivery Instructions' on this Letter, or (ii) for the account of an Eligible Institution and (B) the box entitled 'Special Registration Instructions' on this Letter has not been completed.

4. Special Issuance and Delivery Instructions. Tendering holders of Old Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Noteholders tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such noteholder may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name and address of the person signing this Letter.

5. Transfer Taxes. The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, New Notes and/or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 5, it will not be necessary for transfer tax stamps to be affixed to the Old Notes specified in this Letter.

6. Waiver of Conditions. The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

7. No Conditional Tenders. No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Although the Company intends to notify holders of defects or irregularities with respect to tenders of Old Notes, neither the Company, the Exchange Agent nor any other person shall incur any liability for failure to give any such notice.

8. Mutilated, Lost, Stolen or Destroyed Old Notes. Any holder whose Old

Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

9. Withdrawal of Tenders. Tenders of Old Notes may be withdrawn at any time prior to 12:00 midnight, New York City time, on the Expiration Date.

For a withdrawal of a tender of Old Notes to be effective, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth above prior to 12:00 midnight, New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the 'Depositor'), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) be signed by the holder in the same manner as the original signature on this Letter by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the trustee under the Indenture pursuant to which the Old Notes were issued register the transfer of such Old Notes into the name of the person withdrawing the tender, and (iv) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. Any Old Notes so properly withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender, or termination of the Exchange Offer. Properly withdrawn Old

Notes may be retendered by following the procedures described above at any time on or prior to 12:00 midnight, New York City time, on the Expiration Date.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Old Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes the Company's acceptance of which would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the right to waive any defects, irregularities, or conditions of tender as to particular Old Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions of this Letter) will be final and binding on all parties.

10. Requests for Assistance or Additional Copies. Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus, this Letter and other related documents may be directed to the Exchange Agent, at the address and telephone number indicated above.

IMPORTANT TAX INFORMATION

Under current federal income tax law, a holder of New Notes is required to provide the Company (as payor) with such holder's correct taxpayer identification number ('TIN') on Substitute Form W-9 or otherwise establish a basis for exemption from backup withholding to prevent backup withholding on any

New Notes delivered pursuant to the Exchange Offer and any payments received in respect of the New Notes. If a holder of New Notes is an individual, the TIN is such holder's social security number. If the Company is not provided with the correct taxpayer identification number, a holder of New Notes may be subject to a \$50 penalty imposed by the Internal Revenue Service. Accordingly, each prospective holder of New Notes to be issued pursuant to Special Issuance Instructions should complete the attached Substitute Form W-9. The Substitute Form W-9 need not be completed if the box entitled Special Issuance Instructions has not been completed.

Certain holders of New Notes (including, among others, all corporation and certain foreign individuals) are not subject to these backup withholding and reporting requirements. Exempt prospective holders of New Notes should indicate their exempt status on Substitute Form W-9. A foreign individual may qualify as an exempt recipient by submitting to the Company, through the Exchange Agent, a properly completed Internal Revenue Service Form W-8 (which the Exchange Agent will provide upon request) signed under penalty of perjury, attesting to the holder's exempt status. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Company is required to withhold 31% of any payment made to the holder of New Notes or other payee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on any New Notes delivered pursuant to the Exchange Offer and any payments received in respect of the New Notes, each prospective holder of New Notes to be issued pursuant to Special Issuance Instructions should provide the Company, through the Exchange Agent, with either: (i) such prospective holder's correct TIN by completing the form below, certifying that the TIN provided on Substitute Form W-9 is correct (or that such prospective holder is awaiting a TIN) and that (A) such prospective holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or (B) the Internal Revenue Service has notified such prospective holder that he or she is no longer subject to backup withholding; or (ii) an adequate basis for exemption.

WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The prospective holder of New Notes to be issued pursuant to Special Issuance Instructions is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the prospective record owner of the New Notes. If the New Notes will be held in more than one name or are not held in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance regarding which number to report.

PAYOR'S NAME: ISP HOLDINGS INC.

SUBSTITUTE
FORM W-9

Part 1 -- PLEASE PROVIDE YOUR TIN IN
THE BOX AT RIGHT AND CERTIFY BY
SIGNING AND DATING BELOW

Social Security Number

Department of the Treasury
Internal Revenue Service

OR

Employer Identification Number

Payor's Request for
Taxpayer Identification
Number (TIN)

Part 2-Certification-Under Penalties of
Perjury, I certify that:

Part 3

(1) The number shown on this form is my
current taxpayer identification number (or I am
waiting for a number to be issued to me) and

Awaiting TIN

(2) I am not subject to backup withholding either
because I have not been notified by the Internal
Revenue Service (the "IRS") that I am subject to
backup withholding as a result of a failure to
report all interest or dividends, or the IRS has
notified me that I am no longer subject to
backup withholding.

Certificate Instructions--You must cross out item (2) in Part 2 above if you have been notified
by the IRS that you are subject to backup withholding because of underreporting interest or
dividends on your tax return. However, if after being notified by the IRS that you are subject
to backup withholding you receive another notification from the IRS stating that you are no
longer subject to backup withholding, do not cross out item (2).

SIGNATURE

DATE

**NOTE: FAILURE BY A PROSPECTIVE HOLDER OF NEW NOTES TO BE ISSUED PURSUANT TO
THE SPECIAL ISSUANCE INSTRUCTIONS ABOVE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP
WITHHOLDING OF 31% OF THE NEW NOTES DELIVERED TO YOU PURSUANT TO THE EXCHANGE OFFER AND ANY
PAYMENTS RECEIVED BY YOU IN RESPECT OF THE NEW NOTES. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR
CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.**

**YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU CHECKED THE BOX
IN PART 3 OF SUBSTITUTE FORM W-9**

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an
application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration
Office, or

(b) I intend to mail or deliver such an application in the near future. I understand that if I do not provide a taxpayer identification number within
sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide such a number.

Signature Date

G-I_EPA0009999

**LETTER OF TRANSMITTAL
ISP HOLDINGS INC.
OFFER FOR ALL OUTSTANDING
9 3/4% SENIOR NOTES DUE 2002
IN EXCHANGE FOR
SERIES B 9 3/4% SENIOR NOTES DUE 2002
PURSUANT TO THE PROSPECTUS, DATED FEBRUARY , 1997.**

THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT NEW YORK CITY TIME, ON MARCH , 1997, (THE 'EXPIRATION DATE'). TENDERS MAY BE WITHDRAWN PRIOR TO 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THE EXPIRATION DATE.

	The Bank of New York	
By Registered or Certified Mail:	Facsimile Transmission Number:	By Hand/Overnight Delivery:
The Bank of New York	(Eligible Institutions and	The Bank of New York
101 Barclay Street - 7E	Withdrawal Notices Only)	101 Barclay Street
New York, New York 10286	(212) 571-3080	Corporate Trust Services Window
Attn: Reorganization Section		Ground Level
	Confirm by Telephone:	New York, New York 10286
	(212) 815-2742	Attn: Reorganization Section
	For Information Call:	
	(212) 815-6333	

DELIVERY OF THIS INSTRUMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS BY ELIGIBLE INSTITUTIONS VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges that he or she has received the Prospectus, dated February , 1997 (the 'Prospectus'), of ISP Holdings Inc., a Delaware corporation (the 'Company'), and this Letter of Transmittal (the 'Letter'), which together constitute the Company's offer (the 'Exchange Offer') to exchange an aggregate principal amount at maturity of up to \$199,871,000 of Series B 9 3/4% Senior Notes due 2002 (the 'New Notes') of the Company for a like principal amount at maturity of the issued and outstanding 9 3/4% Senior Notes due 2002 (the 'Old Notes') of the Company from the holders thereof.

For each Old Note accepted for exchange, the holder of such Old Note will receive a New Note having a principal amount at maturity equal to that of the surrendered Old Note. Holders whose Old Notes are accepted for exchange will receive accrued interest thereon to, but not including, the day of issuance of such New Notes, such interest to be payable with the first interest payment on the New Notes. Interest on the New Notes will accrue from their respective dates of issuance. Holders of Old Notes accepted for exchange will be deemed to have waived the right to receive any other payments or interest on the Old Notes. The

Company reserves the right, at any time or from time to time, to extend the Exchange Offer at its discretion, in which event the term 'Expiration Date' shall mean the latest time and date to which the Exchange Offer is extended. The Company shall notify the holders of the Old Notes of any extension by means of a press release or other public announcement prior to 9:00 A.M., New York City time, on the next business day after the previously scheduled Expiration Date.

This Letter is to be completed by a holder of Old Notes either if certificates are to be forwarded herewith or if a tender of certificates for Old Notes, if available, is to be made by book-entry transfer to the account maintained by The Bank of New York (the 'Exchange Agent') at The Depository Trust Company (the 'Book-Entry Transfer Facility') pursuant to the procedures set forth in 'The Exchange Offers--Book-Entry Transfer' section of the Prospectus. Holders of Old Notes whose certificates are not immediately available, or who are unable to deliver their certificates or confirmation of the book-entry tender of their Old Notes into the Exchange Agent's account at the Book-Entry Transfer Facility (a 'Book-Entry Confirmation') and all other documents required by this Letter to the Exchange Agent on or prior to the Expiration Date, must tender their Old Notes according to the guaranteed delivery procedures set forth in 'The Exchange Offers--Guaranteed Delivery Procedures' section of the Prospectus. See Instruction 1. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Exchange Agent.

The undersigned has completed the appropriate boxes below and signed this Letter to indicate the action the undersigned desires to take with respect to the Exchange Offer.

List below the Old Notes to which this Letter relates. If the space provided below is inadequate, the certificate numbers and principal amount at maturity of Old Notes should be listed on a separate signed schedule affixed hereto.

-----	1	2	3
DESCRIPTION OF OLD NOTES			
-----		Aggregate Principal	Principal

G-I_EPA0010000

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)	Certificate Number(s) *	Amount at Maturity of Old Note(s)	Amount at Maturity Tendered**

Total			

* Need not be completed if Old Notes are being tendered by book-entry

transfer.

** Unless otherwise indicated in this column, a holder will be deemed to have tendered ALL of the Old Notes represented by the Old Notes indicated in column 2. See Instruction 2. Old Notes tendered hereby must be in denominations of principal amount at maturity of \$1,000 and any integral multiple thereof. See Instruction 1.

// CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____

Account Number _____ **Transaction Code Number** _____

// CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE EXCHANGE AGENT AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution which guaranteed delivery _____

If Delivered by Book-Entry Transfer, Complete the Following:

Account Number _____ **Transaction Code Number** _____

// CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THE PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO.

Name: _____

Address: _____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

1. Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the aggregate principal amount at maturity of Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes as are being tendered hereby.
2. The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Old Notes tendered hereby and that the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim when the same are accepted by the Company. The undersigned hereby further represents that any New Notes acquired in exchange for Old Notes tendered hereby will have been acquired in the ordinary course of business of the person receiving such New Notes, whether or not such person is the undersigned, that neither the holder of such Old Notes nor any such other person is engaging in or intends to engage in a distribution of such New Notes, that neither the holder of such Old Notes nor any such other person has an arrangement or understanding with any person to participate in the distribution of such New Notes and that neither the holder of such Old Notes nor any such other person is an "affiliate," as defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"), of the Company.
3. The undersigned also acknowledges that the Exchange Offer is being made in reliance on an interpretation, made to third parties, by the staff of the Securities and Exchange Commission (the "SEC") that the New Notes issued in exchange for the Old Notes pursuant to the Exchange Offer may be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act), without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such New Notes are acquired in the ordinary course of such holders' business, such holders are not engaging in and do not intend to engage in the distribution of such New Notes and such holders have no arrangements with any person to participate in the distribution of such New Notes. If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of New Notes. If the undersigned is a broker-dealer that will receive New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resales of such New Notes. However, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.
4. The undersigned may, if, and only if, it would not receive freely tradeable New Notes in the Exchange Offer or is not eligible to participate in the Exchange Offer, elect to have its Old Notes registered in the shelf

registration described in the Registration Rights Agreement, dated as of October 18, 1996, between the Company and Bear, Stearns & Co. Inc. (the 'Registration Agreement') in the form included in Exhibit 4.2 to the Registration Statement of the Company, Registration No. 333-17827. Capitalized terms used in this paragraph 4 and not otherwise defined herein shall have the meanings given them in the Registration Agreement. Such election may be made by checking the box under 'Special Registration Instructions' below. By making such election, the undersigned agrees, as a holder of Old Notes participating in a Shelf Registration, to comply with the Registration Agreement and to indemnify and hold harmless the Initial Purchaser and each person, if any, who controls the Initial Purchaser within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the 'Exchange Act'), and the Company, each director and officer of the Company and each person, if any, who controls the Company within the meaning of either such Section, from and against any losses, claims, damages and liabilities or any actions in respect thereof, to which the Initial Purchaser or any controlling person of the Initial Purchaser, and the Company or any of its directors, officers or controlling persons may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or prospectus or in any amendment or supplement thereto or in any preliminary prospectus relating to a Shelf Registration, or arise out of or are based upon any omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by or on behalf of the undersigned specifically for inclusion therein; and, shall reimburse, as incurred, the Company for any legal or other expenses reasonably incurred by the Company or any director, officer or controlling person thereof in connection with the investigation or defending or preparing to defend against or appearing as a third-party witness in connection with any loss, claim, damage, liability or action in respect thereof. Any such indemnification shall be governed by the terms and subject to the conditions set forth in the Registration Agreement, including, without limitation, the provisions regarding notice, retention of counsel, contribution and payment of expenses set forth therein. The above summary of the indemnification provisions of the Registration Agreement is not intended to be exhaustive and is qualified in its entirety by the Registration Agreement.

5. The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Old Notes tendered hereby. All authority conferred or agreed to be conferred in this Letter and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in "The Exchange Offers-Withdrawal Rights" section of the Prospectus. See Instruction 9.

6. Unless otherwise indicated in the box entitled 'Special Issuance

Instructions' below, please issue the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) in the name of the undersigned or, in the case of a book-entry delivery of Old Notes, please credit the account indicated above maintained at the Book-Entry Transfer Facility. Similarly, unless otherwise indicated under the box entitled 'Special Delivery Instructions' below, please send the New Notes (and, if applicable, substitute certificates representing Old Notes for any Old Notes not exchanged) to the undersigned at the address shown above in the box entitled 'Description of Old Notes.'

The undersigned acknowledges that the Exchange Offer is subject to the more detailed terms set forth in the Prospectus and, in case of any conflict between the terms of the Prospectus and this Letter, the Prospectus shall prevail.

THE UNDERSIGNED, BY COMPLETING THE BOX ENTITLED "DESCRIPTION OF OLD NOTES" ABOVE AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THE OLD NOTES AS SET FORTH IN SUCH BOX ABOVE.

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be issued in the name of someone other than the person or persons whose signature(s) appear(s) on this Letter below, or if Old Notes delivered by book-entry transfer which are not accepted for exchange are to be returned by credit to an account maintained at the Book-Entry Transfer Facility other than the account indicated above.

Issue: New Notes and/or Old Notes to:

Name(s)
(Please Type or Print)

.....
(Please Type or Print)

Address.....

.....

.....
(Zip Code)

.....
(Employer Identification or Social Security Number)

Credit unexchanged Old Notes delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

.....
(Book-Entry Transfer Facility Account Number, if applicable)

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 3 and 4)

To be completed ONLY if certificates for Old Notes not exchanged and/or New Notes are to be sent to someone other than the person or persons whose signature(s) appear(s) on this Letter below or to such person or persons at an address other than shown in the box entitled "Description of Old Notes" on this Letter above.

Mail: New Notes and/or Old Notes to:

Name(s)
(Please Type or Print)

.....
(Please Type or Print)

Address.....

.....
(Zip Code)

SPECIAL REGISTRATION INSTRUCTIONS

(See Paragraph 4 above)

To be completed ONLY IF (i) the undersigned satisfies the conditions set forth in paragraph 4 above, (ii) the undersigned elects to register its Old Notes in the shelf registration described in the Registration Agreement, and (iii) the undersigned agrees to comply with the Registration Agreement and to indemnify certain entities and individuals as set forth in paragraph 4 above.

// By checking this box the undersigned hereby (i) represents that it is entitled to have its Old Notes registered in a shelf registration in accordance with the Registration Agreement, (ii) elects to have its Old Notes registered pursuant to the shelf registration described in the Registration Agreement, and (iii) agrees to comply with the Registration Agreement and to indemnify certain entities and individuals identified in, and to the extent provided in, paragraph 4 above.

IMPORTANT: THIS LETTER OR A FACSIMILE HEREOF (TOGETHER WITH THE CERTIFICATES FOR OLD NOTES OR A BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY) MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO 12:00 MIDNIGHT NEW YORK CITY TIME, ON THE EXPIRATION DATE.

PLEASE READ THIS ENTIRE LETTER OF TRANSMITTAL
CAREFULLY BEFORE COMPLETING ANY BOX ABOVE.

PLEASE SIGN HERE

(TO BE COMPLETED BY ALL TENDERING HOLDERS)

x 1997
x 1997
x 1997

Signature(s) of Owner Date

Area Code and Telephone Number

If a holder is tendering any Old Notes, this Letter must be signed by the registered holder(s) as the name(s) appear(s) on the certificate(s) for the Old Notes or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth full title. See Instruction 3.

Name(s):
.....

(Please Type or Print)

Capacity:
Address:
.....

(Including Zip Code)

Employer Identification or
Social Security Number
(Please complete Substitute Form W-9, if applicable.

See "Important Tax Information" below)

SIGNATURE GUARANTEE (if
required by Instruction 3)

Signature(s) Guaranteed by
an Eligible Institution:

(Authorized Signature)

.....

(Title)

.....

(Name and Firm)

INSTRUCTIONS

1. Delivery of this Letter and Notes; Guaranteed Delivery Procedures. This Letter is to be completed by holders of Old Notes either if certificates are to be forwarded herewith or if tenders are to be made pursuant to the procedures for delivery by book-entry transfer set forth in 'The Exchange Offers--Book-Entry Transfer' section of the Prospectus. Certificates for all physically tendered Old Notes, or Book-Entry Confirmation, as the case may be, as well as a properly completed and duly executed Letter (or manually signed facsimile thereof), with any required signature guarantees, and any other documents required by this Letter, must be received by the Exchange Agent at the address set forth herein on or prior to the Expiration Date, or the tendering holder must comply with the guaranteed delivery procedures set forth below. Old Notes tendered hereby must be in denominations of principal amount at maturity of \$1,000 or any integral multiple thereof.

Noteholders whose certificates for Old Notes are not immediately available or who cannot deliver their certificates and all other required documents to the Exchange Agent on or prior to the Expiration Date, or who cannot complete the procedure for book-entry transfer on a timely basis, may tender their Old Notes pursuant to the guaranteed delivery procedures set forth in 'The Exchange Offers--Guaranteed Delivery Procedures' section of the Prospectus. Pursuant to such procedures, (i) such tender must be made through an Eligible Institution (as defined below), (ii) on or prior to 12:00 midnight, New York City time, on the Expiration Date, the Exchange Agent must receive from such Eligible Institution a properly completed and duly executed Letter (or a facsimile thereof) and Notice of Guaranteed Delivery, substantially in the form provided by the Company (by facsimile transmission, mail or hand delivery), setting forth the name and address of the holder of Old Notes and the amount of Old Notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange ('NYSE') trading days after the date of execution of the Notice of Guaranteed Delivery, the certificates for all physically tendered Old Notes, in proper form for transfer, or a Book-Entry Confirmation, as the case may be, and any other documents required by this Letter will be deposited by the Eligible Institution with the Exchange Agent, and (iii) the certificates for all physically tendered Old Notes, in proper form for transfer, or Book-Entry Confirmation, as the case may be, and all other documents required by this Letter, must be received by the Exchange Agent within three NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

THE METHOD OF DELIVERY OF THIS LETTER, THE OLD NOTES AND ALL OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE TENDERING HOLDERS, BUT THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT HOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIMES SHOULD BE ALLOWED TO ASSURE DELIVERY TO THE EXCHANGE AGENT PRIOR TO 12:00 MIDNIGHT, NEW YORK CITY TIME, ON THE EXPIRATION DATE. NO LETTER OF TRANSMITTAL OR OLD NOTES SHOULD BE SENT TO THE COMPANY.

See 'The Exchange Offers' section in the Prospectus.

2. Partial Tenders. If less than all of the Old Notes evidenced by a

submitted certificate are to be tendered, the tendering holder(s) should fill in the aggregate principal amount at maturity of Old Notes to be tendered in the box above entitled 'Description of Old Notes--Principal Amount at Maturity Tendered.' A reissued certificate representing the balance of nontendered Old Notes of a tendering holder who physically delivered Old Notes will be sent to such tendering holder, unless otherwise provided in the appropriate box on this Letter, promptly after the Expiration Date. All of the Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

3. Signatures on this Letter; Bond Powers and Endorsements; Guarantee of Signatures. If this Letter is signed by the registered holder of the Old Notes tendered hereby, the signature must correspond exactly with the name as written on the face of the certificates without any change whatsoever.

If any tendered Old Notes are owned of record by two or more joint owners, all such owners must sign this Letter.

If any tendered Old Notes are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate copies of this Letter as there are different registrations of certificates.

When this Letter is signed by the registered holder or holders of the Old Notes specified herein and tendered hereby, no endorsements of certificates or separate bond powers are required. If, however, the New Notes are to be issued, or any untendered Old Notes are to be reissued, to a person other than the registered holder, then endorsements of any certificates transmitted hereby or separate bond powers are required. Signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter is signed by a person other than the registered holder or holders of any certificate(s) specified herein, such certificates must be endorsed or accompanied by appropriate bond powers, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the certificate(s) and signatures on such certificate(s) or bond powers must be guaranteed by an Eligible Institution.

If this Letter or any certificates or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when

signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted with this Letter.

Endorsements on certificates for Old Notes or signatures on bond powers required by this Instruction 3 must be guaranteed by a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program (each an 'Eligible Institution' and collectively, 'Eligible Institutions').

Signatures on the Letter need not be guaranteed by an Eligible Institution if (A) the Old Notes are tendered (i) by a registered holder of Old Notes (which term, for purposes of the Exchange Offer, includes any participant in the Book-Entry Transfer Facility system whose name appears on a security position listing as the holder of such Old Notes) who has not completed the box entitled 'Special Issuance Instructions' or 'Special Delivery Instructions' on this Letter, or (ii) for the account of an Eligible Institution and (B) the box entitled 'Special Registration Instructions' on this Letter has not been completed.

4. Special Issuance and Delivery Instructions. Tendering holders of Old Notes should indicate in the applicable box the name and address to which New Notes issued pursuant to the Exchange Offer and/or substitute certificates evidencing Old Notes not exchanged are to be issued or sent, if different from the name or address of the person signing this Letter. In the case of issuance in a different name, the employer identification or social security number of the person named must also be indicated. Noteholders tendering Old Notes by book-entry transfer may request that Old Notes not exchanged be credited to such account maintained at the Book-Entry Transfer Facility as such noteholder may designate hereon. If no such instructions are given, such Old Notes not exchanged will be returned to the name and address of the person signing this Letter.

5. Transfer Taxes. The Company will pay all transfer taxes, if any, applicable to the transfer of Old Notes to it or its order pursuant to the Exchange Offer. If, however, New Notes and/or substitute Old Notes not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Notes tendered hereby, or if tendered Old Notes are registered in the name of any person other than the person signing this Letter, or if a transfer tax is imposed for any reason other than the transfer of Old Notes to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 5, it will not be necessary for transfer tax stamps to be affixed to the Old Notes specified in this Letter.

6. Waiver of Conditions. The Company reserves the absolute right to waive satisfaction of any or all conditions enumerated in the Prospectus.

7. No Conditional Tenders. No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders of Old Notes, by execution of this Letter, shall waive any right to receive notice of the acceptance of their Old Notes for exchange.

Although the Company intends to notify holders of defects or irregularities with respect to tenders of Old Notes, neither the Company, the Exchange Agent nor any other person shall incur any liability for failure to give any such notice.

8. Mutilated, Lost, Stolen or Destroyed Old Notes. Any holder whose Old

Notes have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated above for further instructions.

9. Withdrawal of Tenders. Tenders of Old Notes may be withdrawn at any time prior to 12:00 midnight, New York City time, on the Expiration Date.

For a withdrawal of a tender of Old Notes to be effective, a written or facsimile transmission notice of withdrawal must be received by the Exchange Agent at its address set forth above prior to 12:00 midnight, New York City time, on the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having deposited the Old Notes to be withdrawn (the 'Depositor'), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) be signed by the holder in the same manner as the original signature on this Letter by which such Old Notes were tendered (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the trustee under the Indenture pursuant to which the Old Notes were issued register the transfer of such Old Notes into the name of the person withdrawing the tender, and (iv) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. Any Old Notes so properly withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder as soon as practicable after withdrawal, rejection of tender, or termination of the Exchange Offer. Properly withdrawn Old

Notes may be retendered by following the procedures described above at any time on or prior to 12:00 midnight, New York City time, on the Expiration Date.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of tendered Old Notes will be determined by the Company in its sole discretion, which determination will be final and binding. The Company reserves the absolute right to reject any and all Old Notes not properly tendered or any Old Notes the Company's acceptance of which would, in the opinion of counsel for the Company, be unlawful. The Company also reserves the right to waive any defects, irregularities, or conditions of tender as to particular Old Notes. The Company's interpretation of the terms and conditions of the Exchange Offer (including the instructions of this Letter) will be final and binding on all parties.

10. Requests for Assistance or Additional Copies. Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus, this Letter and other related documents may be directed to the Exchange Agent, at the address and telephone number indicated above.

IMPORTANT TAX INFORMATION

Under current federal income tax law, a holder of New Notes is required to provide the Company (as payor) with such holder's correct taxpayer identification number ('TIN') on Substitute Form W-9 or otherwise establish a basis for exemption from backup withholding to prevent backup withholding on any

New Notes delivered pursuant to the Exchange Offer and any payments received in respect of the New Notes. If a holder of New Notes is an individual, the TIN is such holder's social security number. If the Company is not provided with the correct taxpayer identification number, a holder of New Notes may be subject to a \$50 penalty imposed by the Internal Revenue Service. Accordingly, each prospective holder of New Notes to be issued pursuant to Special Issuance Instructions should complete the attached Substitute Form W-9. The Substitute Form W-9 need not be completed if the box entitled Special Issuance Instructions has not been completed.

Certain holders of New Notes (including, among others, all corporation and certain foreign individuals) are not subject to these backup withholding and reporting requirements. Exempt prospective holders of New Notes should indicate their exempt status on Substitute Form W-9. A foreign individual may qualify as an exempt recipient by submitting to the Company, through the Exchange Agent, a properly completed Internal Revenue Service Form W-8 (which the Exchange Agent will provide upon request) signed under penalty of perjury, attesting to the holder's exempt status. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Company is required to withhold 31% of any payment made to the holder of New Notes or other payee. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on any New Notes delivered pursuant to the Exchange Offer and any payments received in respect of the New Notes, each prospective holder of New Notes to be issued pursuant to Special Issuance Instructions should provide the Company, through the Exchange Agent, with either: (i) such prospective holder's correct TIN by completing the form below, certifying that the TIN provided on Substitute Form W-9 is correct (or that such prospective holder is awaiting a TIN) and that (A) such prospective holder has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest or dividends or (B) the Internal Revenue Service has notified such prospective holder that he or she is no longer subject to backup withholding; or (ii) an adequate basis for exemption.

WHAT NUMBER TO GIVE THE EXCHANGE AGENT

The prospective holder of New Notes to be issued pursuant to Special Issuance Instructions is required to give the Exchange Agent the TIN (e.g., social security number or employer identification number) of the prospective record owner of the New Notes. If the New Notes will be held in more than one name or are not held in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance regarding which number to report.

PAYOR'S NAME: ISP HOLDINGS INC.

SUBSTITUTE
FORM W-9

Part 1--PLEASE PROVIDE YOUR TIN IN
THE BOX AT RIGHT AND CERTIFY BY
SIGNING AND DATING BELOW

Social Security Number

Department of the Treasury
Internal Revenue Service

OR

Employer Identification Number

Payor's Request for
Taxpayer Identification
Number (TIN)

Part 2--Certification--Under Penalties of Perjury, I certify that:

- (1) The number shown on this form is my current taxpayer identification number (or I am waiting for a number to be issued to me) and
- (2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.

Certificate Instructions--You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you are subject to backup withholding you receive another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).

SIGNATURE

DATE

Part 3--Awaiting TIN / /

NOTE: FAILURE BY A PROSPECTIVE HOLDER OF NEW NOTES TO BE ISSUED PURSUANT TO THE SPECIAL ISSUANCE INSTRUCTIONS ABOVE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF THE NEW NOTES

DELIVERED TO YOU PURSUANT TO THE EXCHANGE OFFER AND ANY PAYMENTS RECEIVED BY YOU IN RESPECT OF THE NEW NOTES. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

**YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU CHECKED THE BOX
IN PART 3 OF SUBSTITUTE FORM W-9**

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office, or
(b) I intend to mail or deliver such an application in the near future. I understand that if I do not provide a taxpayer identification number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide such a number.

Signature Date

G-I_EPA0010011

**NOTICE OF GUARANTEED DELIVERY
FOR TENDER OF
9% SENIOR NOTES DUE 2003
(INCLUDING THOSE IN BOOK-ENTRY FORM)**

OF

ISP HOLDINGS INC.

This form or one substantially equivalent hereto must be used to accept the Exchange Offer relating to the tender of 9% Senior Notes due 2003 (the 'Old Notes') of ISP Holdings Inc. (the 'Company') made pursuant to the Prospectus, dated February , 1997 (the 'Prospectus'), if certificates for Old Notes of the Company are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent prior to 12:00 midnight, New York City time, on March , 1997 (the 'Expiration Date'). Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to The Bank of New York (the 'Exchange Agent') as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Old Notes pursuant to the Exchange Offer, the Exchange Agent must receive from an Eligible Institution prior to 12:00 midnight, New York City time, on the Expiration Date, a completed, signed and dated Letter of Transmittal relating to the Old Notes (or facsimile thereof). Capitalized terms used herein and not defined herein are used as so defined in the Prospectus.

The Bank of New York

By Registered or Certified Mail:
The Bank of New York
101 Barclay Street-7E
New York, New York 10286
Attn: Reorganization Section

Facsimile Transmission Number:
(For Eligible Institutions Only)
(212) 571-3080

Confirm by Telephone:
(212) 815-2742

For Information Call:
(212) 815-6333

By Hand/Overnight Delivery:
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
Ground Level
New York, New York 10286
Attn: Reorganization Section

DELIVERY OF THIS NOTICE TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF THIS NOTICE VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

G-I_EPA0010012

Ladies and Gentlemen:

The undersigned hereby tenders to ISP Holdings Inc., a Delaware corporation (the 'Company'), in accordance with the Company's offer, upon the terms and subject to the conditions set forth in the Prospectus dated February , 1997 (the 'Prospectus'), and in the accompanying Letter of Transmittal, receipt of which is hereby acknowledged, \$ in aggregate principal amount of Old Notes pursuant to the guaranteed delivery procedures described in the Prospectus.

Name(s) of Record Holder(s)

(Please Type or Print)

Address

Area Code & Telephone No. -----

Certificate Number(s) for
Old Notes (if available) -----

Total Principal Amount
Represented by Certificate(s): \$ -----

All authority herein conferred or agreed to be conferred shall survive
the death or incapacity of the undersigned and every obligation of the
undersigned hereunder shall be binding upon the heirs, personal representatives,
successors and assigns of the undersigned.

Signature of Holder(s) ----- Dated: -----

----- Dated: -----

Must be signed by the holder(s) of the Old Notes as their name(s) appear(s) on certificates for Old Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below.

Please print name(s) and address(es)

Name(s):

Capacity:

Address(es):

// The Depository Trust Company
(Check if Old Notes will be tendered by book-entry transfer)

Account Number

THE GUARANTEE ON THE FOLLOWING PAGE MUST BE COMPLETED

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program, hereby guarantees that the undersigned will deliver to the Exchange Agent the certificates representing the Old Notes being tendered hereby or confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company, in proper form for transfer, together with any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the Expiration Date.

Name of Firm

Address

Area Code and Telephone No.

Authorized Signature

Name

(Please Type or Print)

Title

Dated

NOTE: DO NOT SEND CERTIFICATES OF OLD NOTES WITH THIS FORM. CERTIFICATES OF OLD NOTES SHOULD BE SENT ONLY WITH A COPY OF THE PREVIOUSLY EXECUTED LETTER OF TRANSMITTAL.

NOTICE OF GUARANTEED DELIVERY
FOR TENDER OF
9 3/4% SENIOR NOTES DUE 2002
(INCLUDING THOSE IN BOOK-ENTRY FORM)

OF
ISP HOLDINGS INC.

This form or one substantially equivalent hereto must be used to accept the Exchange Offer relating to the tender of 9 3/4% Senior Notes due 2002 (the 'Old Notes') of ISP Holdings Inc. (the 'Company') made pursuant to the Prospectus, dated February , 1997 (the 'Prospectus'), if certificates for Old Notes of the Company are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach the Exchange Agent prior to 12:00 midnight, New York City time, on March , 1997 (the 'Expiration Date'). Such form may be delivered or transmitted by facsimile transmission, mail or hand delivery to The Bank of New York (the 'Exchange Agent') as set forth below. In addition, in order to utilize the guaranteed delivery procedure to tender Old Notes pursuant to the Exchange Offer, the Exchange Agent must receive from an Eligible Institution prior to 12:00 midnight, New York City time, on the Expiration Date, a completed, signed and dated Letter of Transmittal relating to the Old Notes (or facsimile thereof). Capitalized terms used herein and not defined herein are used as so defined in the Prospectus.

The Bank of New York

By Registered or Certified Mail:
The Bank of New York
101 Barclay Street-7E
New York, New York 10286
Attn: Reorganization Section

Facsimile Transmission Number:
(For Eligible Institutions Only)
(212) 571-3080

Confirm by Telephone:
(212) 815-2742

For Information Call:
(212) 815-6333

By Hand/Overnight Delivery:
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
Ground Level
New York, New York 10286
Attn: Reorganization Section

DELIVERY OF THIS NOTICE TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF THIS NOTICE VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

Ladies and Gentlemen:

The undersigned hereby tenders to ISP Holdings Inc., a Delaware corporation (the 'Company'), in accordance with the Company's offer, upon the terms and subject to the conditions set forth in the Prospectus dated February , 1997 (the 'Prospectus'), and in the accompanying Letter of Transmittal, receipt of which is hereby acknowledged, \$ in aggregate principal amount of Old Notes pursuant to the guaranteed delivery procedures described in the Prospectus.

Name(s) of Record Holder(s)

(Please Type or Print)

Address

Area Code & Telephone No. -----

Certificate Number(s) for
Old Notes (if available) -----

Total Principal Amount
Represented by Certificate(s): \$ -----

- -----
All authority herein conferred or agreed to be conferred shall survive
the death or incapacity of the undersigned and every obligation of the
undersigned hereunder shall be binding upon the heirs, personal representatives,
successors and assigns of the undersigned.
- -----

Signature of Holder(s) ----- Dated: -----

----- Dated: -----

Must be signed by the holder(s) of the Old Notes as their name(s) appear(s) on certificates for Old Notes or on a security position listing, or by person(s) authorized to become registered holder(s) by endorsement and documents transmitted with this Notice of Guaranteed Delivery. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below.

Please print name(s) and address(es)

Name(s):

Capacity:

Address(es):

// The Depository Trust Company
(Check if Old Notes will be tendered by book-entry transfer)

Account Number

THE GUARANTEE ON THE FOLLOWING PAGE MUST BE COMPLETED

GUARANTEE

(Not to be used for signature guarantee)

The undersigned, a financial institution (including most banks, savings and loan associations and brokerage houses) that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchanges Medallion Program, hereby guarantees that the undersigned will deliver to the Exchange Agent the certificates representing the Old Notes being tendered hereby or confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at The Depository Trust Company, in proper form for transfer, together with any other documents required by the Letter of Transmittal within three New York Stock Exchange trading days after the Expiration Date.

Name of Firm

Address

Area Code and Telephone No.

Authorized Signature

Name

(Please Type or Print)

Title

Dated

NOTE: DO NOT SEND CERTIFICATES OF OLD NOTES WITH THIS FORM. CERTIFICATES OF OLD NOTES SHOULD BE SENT ONLY WITH A COPY OF THE PREVIOUSLY EXECUTED LETTER OF TRANSMITTAL.

, 1997

EXCHANGE AGENT AGREEMENT

The Bank of New York
 Corporate Trust Trustee Administration
 101 Barclay Street--21st Floor
 New York, New York 10286

Ladies and Gentlemen:

ISP Holdings Inc., a Delaware corporation (the 'Company'), proposes to make offers (the 'Exchange Offers') to exchange (i) its 9% Senior Notes due 2003 (the 'Old 9% Notes') for its Series B 9% Senior Notes due 2003 (the 'New 9% Notes'), and (ii) its 9 3/4 Senior Notes due 2002 (the 'Old 9 3/4 Notes', and together with the Old 9% Notes, the 'Old Securities') for its Series B 9 3/4% Series Notes due 2002 (the 'New 9 3/4% Notes', and together with the New 9% Notes, the 'New Securities'). The terms and conditions of the Exchange Offers as currently contemplated are set forth in a Prospectus, dated , 1997 (the 'Prospectus'), proposed to be distributed to all of the record holders of the Old Securities. The Old Securities and the New Securities are collectively referred to herein as the 'Securities'.

The Company hereby appoints The Bank of New York to act as exchange agent (the 'Exchange Agent') in connection with the Exchange Offers. References hereinafter to 'you' shall refer to The Bank of New York.

Each Exchange Offer is expected to be commenced by the Company on or about , 1997. The appropriate Letter of Transmittal accompanying the Prospectus is to be used by holders of the Old Securities to accept the applicable Exchange Offer, and contains instructions with respect to the delivery of certificates for Old Securities tendered.

Each Exchange Offer shall expire at 12 Midnight, New York City time, on , 1997 or on such later date or time to which the Company may extend the Exchange Offers (the 'Expiration Date'). Subject to the terms and conditions set forth in the Prospectus, the Company expressly reserves the right to extend either Exchange Offer from time to time and may extend such Exchange Offer by giving oral (confirmed in writing) or written notice to you before 9:00 A.M., New York City time, on the business day following the previously scheduled Expiration Date.

The Company expressly reserves the right to amend or terminate the Exchange Offers, and not to accept for exchange any Old Securities not theretofore accepted for exchange, as specified in the Prospectus under the caption 'The Exchange Offers--Expiration Date; Amendments.' The Company will give oral (confirmed in writing) or written notice of any amendment, termination or nonacceptance to you as promptly as practicable.

In carrying out your duties as Exchange Agent, you are to act in accordance with the following instructions:

1. You will perform such duties and only such duties as are specifically set forth in the section of the Prospectus captioned 'The Exchange Offers' or as specifically set forth herein; provided, however, that in no way will your general duty to act in good faith be discharged by the foregoing.
2. You will establish separate accounts with respect to the Old Securities at The Depository Trust Company (the 'Book-Entry Transfer Facility') for purposes of each Exchange Offer within two business days after the date of the Prospectus, and any financial institution that is a participant in the Book-Entry Transfer Facility's systems may make book-entry delivery of the applicable Old Securities by causing the Book-Entry Transfer Facility to transfer such Old Securities into your applicable account in accordance with the Book-Entry Transfer Facility's procedure for such transfer.
3. You are to examine each of the Letters of Transmittal and certificates for Old Securities (or confirmation of book-entry transfer into your account at the Book-Entry Transfer Facility) and any other documents delivered or mailed to you by or for holders of the Old Securities to ascertain whether: (i) the Letters of Transmittal and any such other documents are duly executed and properly completed in accordance with instructions set forth therein; and (ii) the Old Securities have otherwise been properly tendered. You shall have no such duty, however, with respect to any such document which you do not receive, other than as a result of your own gross negligence or willful misconduct. In each case where the Letter of Transmittal or any other document has been improperly

completed or executed or any of the certificates for Old Securities are not in proper form for transfer or some other irregularity in connection with the acceptance of either Exchange Offer exists, you will endeavor to inform the presenters of the need for fulfillment of all requirements and to take any other action as may be necessary or advisable to cause such irregularity to be corrected.

4. With the approval of the Chief Executive Officer, any Senior Vice President, any Executive Vice President, or any Vice President of the Company (such approval, if given orally, to be confirmed in writing) or any other party designated by such an officer in writing, you are authorized to waive any irregularities in connection with any tender of Old Securities pursuant to the Exchange Offers.

5. Tenders of Old Securities may be made only as set forth in the Letter of Transmittal and in the section of Prospectus captioned 'The Exchange Offers--Procedures for Tendering' and Old Securities shall be considered properly tendered to you only when tendered in accordance with the procedures set forth therein.

Notwithstanding the provisions of this paragraph 5, Old Securities which the Chief Executive Officer, any Senior Vice President, any Executive Vice President, or any Vice President of the Company shall approve as having been properly tendered shall be considered to be properly tendered (such approval, if given orally, shall be confirmed in writing).

6. You shall advise the Company with respect to any Old Securities received subsequent to the Expiration Date and accept its instructions with respect to disposition of such Old Securities.

7. You shall accept tenders:

(a) in cases where the Old Securities are registered in two or more names only if signed by all named holders;

(b) in cases where the signing person (as indicated on the Letter of Transmittal) is acting in a fiduciary or a representative capacity only when proper evidence of his or her authority so to act is submitted; and

(c) from persons other than the registered holder of Old Securities provided that customary transfer requirements, including any applicable transfer taxes, are fulfilled.

You shall accept partial tenders of Old Securities where so indicated and as permitted in the Letter of Transmittal and deliver certificates for Old Securities to the transfer agent for split-up and return any untendered Old Securities to the holder (or such other person as may be designated in the Letter of Transmittal) as promptly as practicable after expiration or termination of the applicable Exchange Offer.

8. Upon satisfaction or waiver of all of the conditions to the applicable Exchange Offer, the Company will notify you (such notice if given orally, to be confirmed in writing) of its acceptance, promptly after the Expiration Date, of all Old Securities properly tendered and you, on behalf of the Company, will exchange such Old Securities for New Securities and cause such Old Securities to be cancelled. Delivery of New Securities will be made on behalf of the Company by you at the rate of \$1,000 principal amount of New Securities for each \$1,000 principal amount of the corresponding series of Old Securities tendered promptly after notice (such notice if given orally, to be confirmed in writing) of acceptance of said Old Securities by the Company; provided, however, that in all cases, Old Securities tendered pursuant to the Exchange Offers will be exchanged only after timely receipt by you of certificates for such Old Securities (or confirmation of book-entry transfer into your account at the Book-Entry Transfer Facility), a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) with any required signature guarantees and any other required documents. You shall issue New Securities only in denominations of \$1,000 or any integral multiple thereof.

9. Tenders pursuant to the Exchange Offers are irrevocable, except that, subject to the terms and upon the conditions set forth in the Prospectus and the Letter of Transmittal, Old Securities tendered pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date.

10. The Company shall not be required to exchange any Old Securities tendered if any of the conditions set forth in the Exchange Offers are not met. Notice of any decision by the Company not to exchange any Old Securities tendered shall be given (and confirmed in writing) by the Company to you.

11. If, pursuant to the Exchange Offers, the Company does not accept for exchange all or part of the Old Securities tendered because of an invalid tender, the occurrence of certain other events set forth in the Prospectus under the caption 'The Exchange Offers--Conditions' or otherwise, you shall as soon as practicable after the expiration or termination of the applicable Exchange Offer return those certificates for unaccepted Old Securities (or effect appropriate book-entry transfer), together with any related required documents and the Letters of Transmittal relating thereto that are in your possession, to the persons who deposited them.

12. All certificates for reissued Old Securities, unaccepted Old Securities or for New Securities shall be forwarded by (a) first-class certified mail, return receipt requested under a blanket surety bond protecting you and the Company from loss or liability arising out of the non-receipt or non-delivery of such certificates or (b) by registered mail insured separately for the replacement value of each of such certificates.

13. You are not authorized to pay or offer to pay any concessions, commissions or solicitation fees to any broker, dealer, bank or other persons or to engage or utilize any person to solicit tenders.

14. As Exchange Agent hereunder you:

(a) shall have no duties or obligations other than those specifically set forth herein or in the section of Prospectus captioned 'The Exchange Offers' or as may be subsequently agreed to in writing by you and the Company;

(b) will be regarded as making no representations and having no responsibilities as to the validity, sufficiency, value or genuineness of any of the certificates or the Old Securities represented thereby deposited with you pursuant to the Exchange Offers, and will not be required to and will make no representation as to the validity, value or genuineness of the Exchange Offers; provided, however, that in no way will your general duty to act in good faith be discharged by the foregoing;

(c) shall not be obligated to take any legal action hereunder which might in your reasonable judgment involve any expense or liability, unless you shall have been furnished with reasonable indemnity;

(d) may reasonably rely on and shall be protected in acting in reliance upon any certificate, instrument, opinion, notice, letter, telegram or other document or security delivered to you and reasonably believed by you to be genuine and to have been signed by the proper party or parties;

(e) may reasonably act upon any tender, statement, request, comment, agreement or other instrument whatsoever not only as to its due execution and validity and effectiveness of its provisions, but also as to the truth and accuracy of any information contained therein, which you shall in good faith believe to be genuine or to have been signed or represented by a proper person or persons;

(f) may rely on and shall be protected in acting upon written or oral instructions from any officer of the Company;

(g) may consult with your counsel with respect to any questions relating to your duties and responsibilities and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by you hereunder in good faith and in accordance with the advice or opinion of such counsel; and

(h) shall not advise any person tendering Old Securities pursuant to either Exchange Offer as to the wisdom of making such tender or as to the market value or decline or appreciation in market value of any Old Securities or New Securities.

15. You shall take such action as may from time to time be requested by the Company or its counsel (and such other action as you may reasonably deem appropriate) to furnish copies of the Prospectus, Letters of Transmittal and the Notices of Guaranteed Delivery (as defined in the Prospectus) or such other forms as may be approved from time to time by the Company, to all persons requesting such documents and to accept and comply with telephone requests for information relating to the Exchange Offers, provided that such information shall relate only to the procedures for accepting (or withdrawing from) the Exchange Offers. The Company will furnish you with copies of such documents at your request. All other requests for information relating to the Exchange Offer shall be directed to the Company, Attention: Investor Relations.

16. You shall advise by facsimile transmission or telephone, and promptly thereafter confirm in writing to Assistant Treasurer of the Company and such other person or persons as it may request, daily (and more frequently during the week immediately preceding the Expiration Date and if otherwise requested) up to and including the Expiration Date, as to the number of Old Securities which have been tendered pursuant to each Exchange Offer and the items received by you pursuant to this Agreement, separately reporting and giving cumulative totals as to items properly received and items improperly received. In addition, you will also inform, and cooperate in making available to, the Company or any such other person or persons upon oral request made from time to time prior to the Expiration Date of such other information as it or he or she reasonably requests. Such cooperation shall include, without limitation, the granting by you to the Company and such person as the Company may request of access to those persons on your staff who are responsible for receiving tenders, in order to ensure that immediately prior to the Expiration Date of either Exchange Offer the Company shall have received information in sufficient detail to enable it to decide whether to extend the Exchange Offers. You shall prepare a final list of all persons whose tenders were accepted, the aggregate principal amount of Old Securities tendered and the aggregate principal amount of Old Securities accepted, and deliver said list to the Company. Upon receipt of said list, the Company will promptly provide you with a calculation of the principal amount of New Securities to be issued to each holder.

17. Letters of Transmittal and Notices of Guaranteed Delivery shall be stamped by you as to the date and the time of receipt thereof and shall be preserved by you for a period of time at least equal to the period of time you preserve other records pertaining to the transfer of securities. You shall dispose of unused Letters of Transmittal and other surplus materials by returning them to the Company.

18. You hereby expressly waive any lien, encumbrance or right of set-off whatsoever that you may have with respect to funds deposited with you for the payment of transfer taxes by reasons of amounts, if any, borrowed by the Company, or any of its subsidiaries or affiliates pursuant to any loan or credit agreement with you or for compensation owed to you hereunder.

19. For services rendered as Exchange Agent hereunder, you shall be entitled to such compensation as set forth on Schedule I attached hereto.

20. You hereby acknowledge receipt of the Prospectus and each of the Letters of Transmittal attached hereto and further acknowledge that you have examined each of them. Any inconsistency between this Agreement, on the one hand, and the Prospectus and the applicable Letter of Transmittal (as they may be amended from time to time), on the other hand, shall be resolved in favor of the latter two documents, except with respect to the duties, liabilities and indemnification of you as Exchange Agent, which shall be controlled by this Agreement.

21. The Company covenants and agrees to indemnify and hold you harmless in your capacity as Exchange Agent hereunder against any loss, liability, cost or expense, including reasonable attorneys' fees and expenses, arising out of or in connection with any act, omission, delay or refusal made by you in reliance upon any signature, endorsement, assignment, certificate, order, request, notice, instruction or other instrument or document reasonably believed by you to be valid, genuine and sufficient and in accepting any tender or effecting any transfer of Old Securities reasonably believed by you in good faith to be authorized, and in delaying or refusing in good faith to accept any tenders or effect any transfer of Old Securities; provided, however, that the Company shall not be liable for indemnification or otherwise for any loss, liability, cost or expense to the extent arising out of your gross negligence or willful misconduct. In no case shall the Company be liable under this indemnity with respect to any claim against you unless the Company shall be notified by you, by letter or cable or by facsimile confirmed by letter, of the written assertion of a claim against you or of any other action commenced against you, promptly after you shall have received any such written assertion or commencement of action. The Company shall be entitled to participate at its own expense in the defense of any such claim or other action, and, if the Company so elects, the Company shall assume the defense of any suit brought to enforce any such claim. In the event that the Company shall assume the defense of any such suit, the Company shall not be liable for the fees and expenses of any counsel thereafter incurred by you so long as the Company shall retain counsel reasonably satisfactory to you to defend such suit.

22. You shall arrange to comply with all requirements under the tax laws of the United States, including those relating to missing Taxpayer Identification Numbers, and shall file any appropriate reports with the Internal Revenue Service. The Company understands that you are required to deduct 31% on payments

to holders who

have not supplied their correct Taxpayer Identification Number or required certification. Such funds will be turned over to the Internal Revenue Service in accordance with applicable regulations.

23. You shall deliver or cause to be delivered, in a timely manner to each governmental authority to which any transfer taxes are payable in respect of the exchange of Old Securities, your check in the amount of all transfer taxes so payable, and the Company shall reimburse you for the amount of any and all transfer taxes payable in respect of the exchange of Old Securities; provided, however, that you shall reimburse the Company for amounts refunded to you in respect of your payment of any such transfer taxes, at such time as such refund is received by you and, provided further, that if New Securities and/or substitute Old Securities not exchanged are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Old Securities tendered in the Exchange Offers, or if tendered Old Notes are registered in the name of any person other than the person signing the applicable Letter of Transmittal, or if a transfer tax is imposed for any reason other than the transfer of Old Securities to the Company or its order pursuant to the Exchange Offers, the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder and will not be reimbursed to you by the Company. In no event, however, will the Exchange Agent be responsible for the payment of any applicable transfer tax imposed for any reason other than the exchange of Old Securities.

24. This Agreement and your appointment as Exchange Agent hereunder shall be construed and enforced in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such state, and without regard to conflicts of law principles, and shall inure to the benefit of, and the obligations created hereby shall be binding upon, the successors and assigns of each of the parties hereto.

25. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

26. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

27. This Agreement shall not be deemed or construed to be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the party to be charged. This Agreement may not be modified orally.

28. Unless otherwise provided herein, all notices, requests and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be given to such party, addressed to it, at its address or telecopy number set forth below:

If to the Company:

ISP Holdings Inc.
c/o ISP Management Company, Inc. 1361 Alps Road
Wayne, New Jersey 07470

Facsimile: (201) 628-4090
Attention: Senior Vice President--Finance

If to the Exchange Agent:

The Bank of New York
101 Barclay Street
Floor 21 West
New York, New York 10286

Facsimile: (212) 815-5915
Attention: Corporate Trust Trustee Administration

29. Unless terminated earlier by the parties hereto, this Agreement shall terminate after all obligations of the parties hereunder shall have been fulfilled. Notwithstanding the foregoing, Paragraphs 19, 21 and 23 shall survive

the termination of this Agreement. Upon any termination of this Agreement, you shall promptly deliver to the Company any certificates for Securities, funds or property then held by you as Exchange Agent under this Agreement.

30. This Agreement shall be binding and effective as of the date hereof.

Please acknowledge receipt of this Agreement and confirm the arrangements herein provided by signing and returning the enclosed copy.

ISP HOLDINGS INC.

By: _____
Name:
Title:

Accepted as the date
first above written:

THE BANK OF NEW YORK, as Exchange Agent

By: _____
Name:
Title:

SCHEDULE I

End of Filing

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